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1983

STATE OF MONTANA
Report to the Legislature
DEPARTMENT OF ADMINISTRATION
Financial/Compliance Audit for the
Two Fiscal Years Ended June 30, 1983

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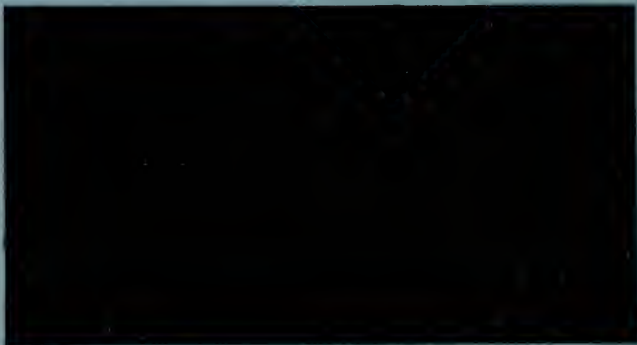
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STATE OF MONTANA
Report to the Legislature
DEPARTMENT OF ADMINISTRATION
Financial/Compliance Audit for the
Two Fiscal Years Ended June 30, 1983

Excludes the activity of the following administratively attached agencies:

Treasury Division
Board of Housing
Teachers' Retirement Division
Public Employees' Retirement Division
Board of Investments

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APPOINTIVE AND ADMINISTRATIVE OFFICIALS

DEPARTMENT OF ADMINISTRATION

Morris Brusett	Director
Dave Ashley	Deputy Director
Kathy Fabiano	Administrator Accounting Division
Philip Hauck	Administrator Architecture & Engineering Division
W. James Kembel	Administrator Building Codes Division
Rick Morgan	Administrator Centralized Services Division
John Neraas	Administrator Communications Division
Mike Trevor	Administrator Computer Services Division
H. Dean Blanton	Administrator General Services Division
J. Michael Young	Administrator Insurance & Legal Division
James R. Howeth	Investment Officer Investment Division
George Pendergast	Administrator Local Government Services Division
Dennis Taylor	Administrator State Personnel Division
Lawrence P. Nachtsheim	Administrator Public Employees' Retirement Division
Don Breiby	Administrator Publications & Graphics Division
Laurie Ekanger	Administrator Purchasing Division

APPOINTIVE AND ADMINISTRATIVE OFFICIALS (Continued)

DEPARTMENT OF ADMINISTRATION

Robert S. Raundal	Chairman State Tax Appeal Board
Robert Johnson	Administrator Teachers' Retirement Division
Ray Hofland	Bureau Chief State Treasurer's Office
Judge Timothy W. Reardon	Workers' Compensation Court

SUMMARY OF RECOMMENDATIONS

This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's response.

	<u>Page</u>
<u>Recommendation #1</u>	
<u>The department:</u>	
A. Implement procedures to reduce requisition processing time.	6
Agency Response: Concur. See page 62.	
B. Implement procedures to ensure vendors are allowed adequate time to prepare and return bids.	6
Agency Response: Concur. See page 62.	
C. Establish written policies which standardize the use of please writes; sole source purchases; and telephone quotations.	6
Agency Response: Concur. See page 62.	
<u>Recommendation #2</u>	
<u>The department:</u>	
A. Centralize, complete, and update the vendor list.	7
Agency Response: Concur. See page 63.	
B. Document support for changes to the vendor list.	8
Agency Response: Concur. See page 63.	
C. Actively seek new vendors for inclusion on the list.	8
Agency Response: Concur. See page 63.	
<u>Recommendation #3</u>	
<u>The department follow established policies for the accrual of valid obligations.</u>	9
Agency Response: Concur. See page 63.	

SUMMARY OF RECOMMENDATIONS (Continued)

Page

Recommendation #4

The Department of Commerce, Local Government Services Division, continue implementation of the work plan and conduct audits in conformity with generally accepted governmental auditing standards.

10

Agency Response: Concur. See page 66.

Recommendation #5

The Department of Commerce, Local Government Services Division:

- A. Establish strict deadlines for units' audit decisions.

11

Agency Response: Concur. See page 66.

- B. Comply with state law by ensuring biennial audits are performed on all local governmental units.

11

Agency Response: Concur. See page 66.

- C. Seek legislation to increase the 60 day report issuance requirement.

11

Agency Response: Concur. See page 66.

Recommendation #6

The Department of Commerce, Local Government Services Division:

- A. Continue assisting cities and counties in implementing the budgetary, accounting, and reporting system.

12

Agency Response: Concur. See page 67.

- B. Periodically review contract audits to ensure compliance with the contract provisions.

12

Agency Response: Do not concur. See page 67.

SUMMARY OF RECOMMENDATIONS (Continued)

	<u>Page</u>
<u>Recommendation #7</u>	
<u>The department:</u>	
A. Obtain authorization from the approving authority prior to expenditure of statutorily appropriated moneys.	14
Agency Response: Concur. See page 63.	
B. Notify system users before removing SBAS edit controls.	14
Agency Response: Concur. See page 63.	
<u>Recommendation #8</u>	
<u>The department:</u>	
A. Record expenditure transactions in the proper year.	15
Agency Response: Concur. See page 63.	
B. Monitor expenditure transactions and appropriation balances to ensure its appropriation authority is not exceeded.	15
Agency Response: Concur. See page 63.	
<u>Recommendation #9</u>	
<u>The department take steps to ensure that assets are properly accounted for and safeguarded to avoid possible loss, misuse, or theft.</u>	
	16
Agency Response: Concur. See page 64.	
<u>Recommendation #10</u>	
<u>The department:</u>	
A. Record all fixed assets in accordance with state accounting policy and generally accepted accounting principles.	17
Agency Response: Concur. See page 64.	
B. Comply with management memo 2-82-4 for recording land and buildings.	17
Agency Response: Concur. See page 64.	

SUMMARY OF RECOMMENDATIONS (Continued)

	<u>Page</u>
<u>Recommendation #11</u> The department transfer moneys in excess of the reserve requirement of general obligation bonds to the state's General Fund in accordance with state law.	18
Agency Response: Concur. See page 64.	
<u>Recommendation #12</u> The department reconcile and update the deferred compensation program fund balances on a quarterly basis.	19
Agency Response: Concur. See page 64.	
<u>Recommendation #13</u> The department establish written procedures for handling claims.	20
Agency Response: Concur. See page 64.	
<u>Recommendation #14</u> The department either ensure its imprest cash and revolving fund reconciliation records are current and reliable or revise its policy.	20
Agency Response: Concur. See page 64.	
<u>Recommendation #15</u> The department implement formal guidelines to ensure consistency for the recording of bond issuance costs.	21
Agency Response: Concur. See page 64.	
<u>Recommendation #16</u> The department:	
A. Use formal written lease agreements in all non-state rental situations.	22
Agency Response: Concur. See page 64.	
B. Apply its cost allocation system for mail and messenger service to all state agencies on a consistent basis.	22
Agency Response: Concur. See page 64.	

SUMMARY OF RECOMMENDATIONS (Continued)

	<u>Page</u>
<u>Recommendation #17</u>	
The department prepare annual revenue estimates for all major revenue sources.	23
Agency Response: Concur. See page 65.	
<u>Recommendation #18</u>	
The department seek legislation to reference the building code standards which are currently followed.	23
Agency Response: Concur. See page 65.	
<u>Recommendation #19</u>	
<u>The department:</u>	
A. Ensure all divisions conduct an annual count of inventory.	26
Agency Response: Concur. See page 65.	
B. Reconcile the count to the records in a timely manner.	26
Agency Response: Concur. See page 65.	
<u>Recommendation #20</u>	
The department establish procedures to ensure checks are logged in and restrictively endorsed in accordance with department policy.	26
Agency Response: Concur. See page 65.	

GENERAL

The Department of Administration consists of sixteen divisions and seven administratively attached agencies. The seven agencies are the Board of Examiners, the Public Employees' Retirement Board, the State Tax Appeal Board, the Teachers' Retirement Board, the Merit System Council, the Workers' Compensation Court, and the Board of Investments. A description of the primary functions of the department divisions follows:

<u>Division</u>	<u>Description of Duties</u>
1) Central Administration	Supervises and coordinates the activities of the various divisions within the department and the administratively attached boards and agencies.
2) Accounting	Provides centralized accounting policies for state agencies.
3) Architecture & Engineering	Oversees the planning, design and construction of state buildings and structures.
4) Building Codes	Provides enforcement of the state building codes.
5) Communications	Installs and maintains radio/micro-wave communications equipment and manages the state telephone system.
6) Computer Services	Provides central data processing services for the state, provides records management services. Information Systems Division was merged with this division in fiscal year 1982-83.
7) General Services	Maintains state buildings, provides mail services, manages surplus property, provides capitol grounds security.
8) Insurance & Legal	Manages the state insurance programs, acts as department legal counsel.
9) Investment *	Manages the state's investment program.

<u>Division</u>	<u>Description of Duties</u>
10) Local Government Services **	Develops and implements uniform accounting systems and audits financial activities for local and county governments.
11) Personnel *	Provides centralized personnel testing and screening services, performs personnel classification, develops personnel policies.
12) Public Employees' Retirement *	Manages Public Employees' and other state retirement systems.
13) Purchasing	Provides centralized purchasing services for the state agencies.
14) Publications and Graphics	Provides centralized duplicating and printing for the state agencies.
15) Teachers' Retirement *	Manages Teachers' Retirement System.
16) Treasury/Central Services	Acts as treasurer for state agencies and boards, records all moneys received, reconciles bank statements, records contractors' pledges, accounts for outstanding bond issues and their redemption. Central Services provides accounting and budgeting services for all divisions of the department.

*Includes administratively attached board.

**Transferred to the Department of Commerce (July 1, 1983).

Administratively Attached Agencies

- | | |
|-----------------------------|--|
| 1) State Board of Examiners | Approves architects and engineers for construction projects costing more than \$25,000, approves all change orders, and contracts for construction projects costing more than \$2,500, sells general obligation bonds for the construction of buildings, and examines unliquidated claims against the state. |
|-----------------------------|--|

<u>Division</u>	<u>Description of Duties</u>
2) State Tax Appeal Board	Provides supervision to county tax appeal boards, reviews tax appeals.
3) Workers' Compensation Court	Presides over workers' compensation hearings.

The department and its administratively attached agencies employed approximately 500 employees, expended \$67,072,666 in the performance of assigned duties, and recorded revenues of \$70,372,150 during fiscal year 1982-83.

INTRODUCTION

We performed a financial compliance audit of the Department of Administration for the two fiscal years ended June 30, 1982 and 1983. The audit included financial and compliance reviews of the administrative functions of the administratively attached agencies, except as noted below.

The audit did not include certain trust and agency funds administered by attached agencies and divisions. These funds are audited individually. Separate audit reports have been issued for the Teachers' Retirement System, Public Employees' Retirement System and the other related retirement systems' funds, and the Board of Investments' investment activities. We also issue a separate annual report resulting from our review of the data processing center and our application reviews of the state's accounting system.

Our audit included an evaluation of the department's compliance with applicable federal and state laws, procurement standards, regulations and state policies.

The department had an Intergovernmental Personnel Act Grant for the first four months of the audit period. This grant was audited by an outside auditor under contract with the Department of Administration.

In our opinion, the Department of Administration generally complied with significant laws and regulations for the transactions

tested that could have materially affected the department's financial statements. Except for the instances of noncompliance referenced below, nothing came to our attention in connection with our examination that caused us to believe the department was not in compliance with laws and regulations for those transactions not tested.

Our examination disclosed items of noncompliance in: expenditures, page 14; bond reserves, page 17; revenue estimates, page 23; building codes, page 23; and the Local Government Services Division, Department of Commerce, page 9.

Section 5-13-307(2), MCA, requires any significant costs associated with implementation of an audit recommendation be disclosed. If we determined that significant costs are associated with implementation of a recommendation, we disclose that information in the discussion of the problem.

We thank the director of the department and other agency personnel for their cooperation and assistance during our audit.

PURCHASING

Central purchasing of all supplies and services for the state is the responsibility of the Department of Administration, Purchasing Division. In May 1980 the Office of the Legislative Auditor issued a performance audit report on the purchasing function at the department. We performed a follow-up on that report during the fiscal year 1980-81 financial and compliance audit of the department. As part of our current audit we performed an audit of Purchasing Division's procedures concerning vendors and purchase order requisition processing. This office also recently completed a performance audit of the state's data processing hardware acquisition procedures at the Purchasing Division. Field work for these two audits was completed prior to January 1, 1984. As a result of all these audits, we noted that management has not taken adequate corrective action to improve the deficiencies in the state's purchasing operation since the issuance in May 1980 of the performance report. The following paragraphs describe the problems noted during our audit and our recommendations for improvements.

Requisition Processing

We examined a random sample of 200 purchase orders issued between January 1, 1983 and June 30, 1983. We evaluated the processing time required from receipt of the requisition to completion of the purchase order process.

Processing Time

On the average we found it takes 9.8 weeks for a requisition to be let for bids and a purchase order to be issued by the Purchasing Division. The majority of the time delays occur during the initial evaluation of the requisition by the purchasing agent. We noted instances where review of requisitions took up to 15 weeks before they went out to bid. The division does not have specific guidelines for the timely processing of requisitions.

Vendor Reply Time

The amount of time allowed for vendors to reply with a bid varied in our sample from 3 to 35 working days, the average being 13 days. The time allowed does not appear to be sufficient in some cases for the vendors to properly prepare a bid and respond. We noted several letters of complaint from vendors stating this. This time frame included days spent in the mail and the time allowed the vendor to prepare the bid.

Please Writes

Please writes (PW) is one method used by the department to solicit bids from one to three vendors. In the past the division used a form that indicated which vendors were receiving the PW. The division now uses a form that will not allow the vendor to ascertain who else gets the PW. This implements a prior audit recommendation. However, there are no formal written policies or guidelines by the division on the use of please writes. Currently, please writes are utilized at the discretion of the purchasing agent. The purchasing agent may send a please write to any vendor or number of vendors. The department should establish

formal written guidelines to clarify when please writes will be utilized and criteria to standardize which vendors will be sent a please write.

Sole Source and Telephone Quotations

When a bid request goes to only one vendor (sole source), a sole source committee must approve it. In our sample of 200 purchase orders we found six sole source purchases with no justification attached. We also noted the awarding of purchases based on telephone bids solicited by the purchasing agent. The purchasing agent will call one or more vendors (based on experience) believed to be interested in this type of transaction and ask for bids. We found no documentation for the choice of vendors contacted.

Establishing of specific guidelines for the use of sole source, please writes, and telephone bids would reduce the opportunity of purchasing/vendor bias. Requisition processing time could also be reduced by implementing specific written guidelines standardizing time frames to be followed by the purchasing agent.

RECOMMENDATION #1

WE RECOMMEND THE DEPARTMENT:

- A. IMPLEMENT PROCEDURES TO REDUCE REQUISITION PROCESSING TIME.
- B. IMPLEMENT PROCEDURES TO ENSURE VENDORS ARE ALLOWED ADEQUATE TIME TO PREPARE AND RETURN BIDS.
- C. ESTABLISH WRITTEN POLICIES WHICH STANDARDIZE THE USE OF PLEASE WRITES; SOLE SOURCE PURCHASES; AND TELEPHONE QUOTATIONS.

Centralized Bidder List

In obtaining competitive bids for items requested by state agencies the division: 1) compiles a list of vendors for the items to be purchased; 2) mails the vendors a bid package including a

requisition for a bid; 3) opens the bids at one time; and 4) awards the bid to the lowest qualified bidder.

During the audit period the division did not have a centralized bidder list. The department is in the process of centralizing its bidder list on a computerized system. Not all vendors doing business with the state are on the computerized list, so the purchasing agent will add names of vendors that have been left off. As a cost reducing measure, some vendors are not sent a bid package at the discretion of the purchasing agent.

The purchasing agent will delete the names of vendors he/she believes will not respond to the bid request. However, the division has not been maintaining vendor performance statistics on which to base these decisions, therefore, the decision to delete a vendor is not supported. If there was a central list of vendors to which all bid requests are sent, there would be no opportunity to restrict competition or bias the bid request process. In addition, performance statistics would support the addition or deletion of vendors to the central lists.

Seeking Additional Vendors

Agencies normally suggest a vendor when submitting a requisition to the Purchasing Division. The division usually sends a request for quotation to the suggested vendor and includes a form to be returned so they may be placed on the vendor list. The division will only include the vendor after the form has been returned.

To ensure all vendors have the opportunity to bid, the department should actively seek new vendors. This would help ensure lowest costs to the state through increased competition between vendors.

RECOMMENDATION #2

WE RECOMMEND THE DEPARTMENT:

- A. CENTRALIZE, COMPLETE, AND UPDATE THE VENDOR LIST.

- B. DOCUMENT SUPPORT FOR CHANGES TO THE VENDOR LIST.
- C. ACTIVELY SEEK NEW VENDORS FOR INCLUSION ON THE LIST.

Accrual of Requisitions

At June 30, 1983, the Department of Administration, Purchasing Division, gave authority to 12 agencies for 18 different requisitions to accrue as current year expenditures amounts on requisitions submitted to the Purchasing Division. A requisition is a request to the Purchasing Division by the agency to seek vendors for the detailed items. The requisitions were submitted to the division during its busiest time of the year, April and May, and were not through processing at the division by June 30, 1983. Purchasing Division then contacted the agencies and indicated to each that accruing the requisitions at fiscal year-end 1983 would be proper. The total recommended accrual for all agencies involved was \$253,003. Section 17-7-302, MCA, states in part:

"An appropriation shall be deemed to be encumbered at the time and to the extent that a valid obligation against the appropriation is created."

The department has defined a valid obligation in the accounting policies issued to state agencies. The policy states in part that a purchase order must be issued in the fiscal year in which the anticipated expenditure is to be accrued (MOM 2-1420.33). Due to the processing delays identified in the section on page 5 the Purchasing Division did not issue any purchase orders or award any bids for the 18 requisitions. Therefore, no valid obligation existed. The department did not follow its established policy when it authorized the agencies to accrue the 18 requisitions. Expenditures and accrued expenditures are overstated statewide because of the \$253,003 accrual.

RECOMMENDATION #3

WE RECOMMEND THE DEPARTMENT FOLLOW ESTABLISHED POLICIES FOR THE ACCRUAL OF VALID OBLIGATIONS.

LOCAL GOVERNMENT SERVICES

During our audit period, state law required the Department of Administration to audit the affairs of all counties, cities, towns, school and other special districts as described in section 2-7-503, MCA. This was the responsibility of the department's Local Government Services Division (LGS). Effective July 1, 1983, this division and audit responsibility were transferred to the Department of Commerce.

As part of our audit of the Department of Administration we reviewed the operations of LGS. As a result of this review we noted the need for improvements in the following areas.

Audit Standards

Prior to our audit, as requested by LGS, Touche, Ross and Company, Certified Public Accountants, performed a review of the audit bureau of LGS. On August 6, 1982, they issued a report on their review which noted the deficiencies found and recommendations for improvement. Agency personnel stated that, after reviewing the Touche, Ross and Company report, they developed a work plan that will eventually implement all of the recommendations. Division personnel acknowledged that they were presently six to eight months behind in implementation of the work plan. As part of our review we found many of the same deficiencies as noted in the Touche, Ross and Company report. These deficiencies are discussed in the following paragraph.

Section 2-7-505(2), MCA, requires that the Local Government Services Division (LGS) conduct its audits in accordance with generally accepted governmental auditing standards (GAGAS). In our review of selected audit reports and their associated programs and work papers we found the division did not comply with GAGAS because of the following noted deficiencies:

1. A general lack of documentation in the following areas:
 - a. reporting audit test results;
 - b. scope decisions;
 - c. sampling plans;
 - d. work paper completion and conclusions reached; and
 - e. review of work papers by supervisory personnel.
2. The preliminary internal control review results were not documented or used to determine future scope expansion.
3. Questions raised in the audit and noted in the work papers did not have documented dispositions and misstatements, which were discussed in the audit tests, were not noted on the financial statements.
4. No subsequent events work was performed.
5. The management representation letter did not cover events through the opinion date.
6. The staff did not have sufficient training or supervision.
7. As a result of the above deficiencies, the work papers did not completely support the opinion given.

The degree of reliance the state can place on Local Government Services Division's audits to provide assurance that state revenues collected by local governments are properly accounted for and remitted to the state is lessened by the effects of these deficiencies.

RECOMMENDATION #4

WE RECOMMEND THE DEPARTMENT OF COMMERCE, LOCAL GOVERNMENT SERVICES DIVISION, CONTINUE IMPLEMENTATION OF THE WORK PLAN AND CONDUCT AUDITS IN CONFORMITY WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS.

Compliance

Section 2-7-503(2), MCA, requires biennial audits of all local governmental units unless annual audits are requested by the governmental entity. In our review of the Local Government

Services Division we found that several counties are in a three-year audit cycle. The division explained this is due to some units initially deciding it wants to be audited by a contracted firm. Later, after LGS has prepared its audit schedule, the units will request that LGS perform the audit. Because of this, LGS is unable to perform a timely audit. Some of the smaller governmental units such as small fire districts and towns are on a three-year schedule because no firm wants to contract with the unit and LGS waits until it has a substantial amount of work to do in that area.

Section 2-7-514, MCA, requires that audit reports are to be issued on local government entities by the department within 60 days of the completion of the field work. We reviewed three of the audit reports and found none were issued within this time frame. However, the completion of field work is not the completion of the audit process because the auditors must prepare a draft report, meet with the entity, finalize the report, solicit the entity response and print the report. Therefore, 60 days after the completion of the fieldwork may not be a realistic time frame in which to issue a report.

RECOMMENDATION #5

WE RECOMMEND THE DEPARTMENT OF COMMERCE, LOCAL GOVERNMENT SERVICES DIVISION:

- A. ESTABLISH STRICT DEADLINES FOR UNITS' AUDIT DECISIONS.
- B. COMPLY WITH STATE LAW BY ENSURING BIENNIAL AUDITS ARE PERFORMED ON ALL LOCAL GOVERNMENTAL UNITS.
- C. SEEK LEGISLATION TO INCREASE THE 60 DAY REPORT ISSUANCE REQUIREMENT.

Other Issues

Local Government Services Division has assisted cities and counties in the development and adoption of a uniform accounting

system, which is known as the Budgetary, Accounting, and Reporting System (BARS). This system provides local governments with a vehicle to account for transactions and present financial statements in accordance with generally accepted accounting principles (GAAP).

Approximately 75-80 percent of the cities and counties have implemented BARS for their accounting needs. The remaining cities and counties which have not yet implemented BARS and represent approximately 27 percent of collections received per year have accounting systems which do not enable them to present their financial statements in accordance with GAAP. Consequently, the auditors must give an adverse opinion on those financial statements. LGS personnel indicated they thought they would have all cities and counties on the BARS by June 1984.

Local Government Services does not have the staff nor the resources to perform all the audits for which it is responsible. As a result it contracts approximately 40 percent of these audits to private CPA firms. We found that LGS does not perform a review of any of the contracted audits. The Montana Society of CPAs has agreed to do a limited review of these LGS contract audit reports for technical reporting requirements; however, this review does not necessarily include the supporting work papers. Therefore, LGS does not have complete assurance that these audits were conducted in accordance with GAGAS or that they are in compliance with the contract provisions.

RECOMMENDATION #6

WE RECOMMEND THE DEPARTMENT OF COMMERCE, LOCAL GOVERNMENT SERVICES DIVISION:

- A. CONTINUE ASSISTING CITIES AND COUNTIES IN IMPLEMENTING THE BUDGETARY, ACCOUNTING, AND REPORTING SYSTEM.
- B. PERIODICALLY REVIEW CONTRACT AUDITS TO ENSURE COMPLIANCE WITH THE CONTRACT PROVISIONS.

REMOVAL OF SBAS EDIT

Section 17-8-101(1), MCA, requires moneys deposited in the General, Special Revenue, Capital Projects, Enterprise, and Internal Service Funds be paid out of the treasury only on appropriations made by law. Subsequent to the completion of our fieldwork we were notified by the Office of Budget and Program Planning (OBPP) that the department was charging expenditures in the Internal Service Fund to a non-budgeted control account. Based upon that information, we reviewed non-budgeted expenditures and noted several instances where the Department of Administration was spending state money from these funds without an appropriation. The expenditures were charged as non-budgeted expenditures.

The Statewide Budget and Accounting System (SBAS) utilizes computerized restrictive edits that would normally not allow these non-budgeted transactions to be processed. However, these edits were removed by the Department of Administration's Accounting Division from July 1, 1983 to March 9, 1984 per a request from the department's Centralized Services Division.

The expenditure transactions that were processed during the above time period were authorized under statutory appropriation language. These expenditures were for insurance premiums and bond issuance costs. The Accounting Division has subsequently reinstated the computerized edits and obtained specific budget authority from the OBPP for the transactions.

Many users of SBAS information, including the legislature and state budget officials, rely heavily on the established and well-defined edit capabilities of the system. The removal of those edits represents a serious breach of control. If key controls are removed in any instance, the amount of reliance that users can place on system-generated reports is significantly reduced. The department should never remove SBAS edits without notifying all affected users.

RECOMMENDATION #7

WE RECOMMEND THE DEPARTMENT:

- A. OBTAIN AUTHORIZATION FROM THE APPROVING AUTHORITY PRIOR TO EXPENDITURE OF STATUTORILY APPROPRIATED MONEYS.
- B. NOTIFY SYSTEM USERS BEFORE REMOVING SBAS EDIT CONTROLS.

ACCOUNTING PROCEDURES

The following report section discusses an instance where established state accounting procedures were not followed by the department when processing or recording certain transactions in the expenditure cycle.

Expenditures

Generally accepted accounting principles (GAAP) state that expenditures are to be charged to the period in which the corresponding liabilities are incurred. We noticed one instance where State Surplus Property charged a portion of a fiscal year 1981-82 rent and utility expenditure to a fiscal year 1982-83 appropriation. This was necessary after it originally charged a \$10,621 expenditure to the prior fiscal year, 1981-82, which overspent its appropriation by \$6,466. This \$10,621 was a rent adjustment for the difference between the estimated rent paid each month and actual rent expense for the year. The bureau was not aware of this expenditure until August 1982 when it received the bill for the balance of actual rent expense. The bureau backed out \$6,466 to zero out the negative amount and charged it to the following year's appropriation. This circumvented legislative intent to limit expenditures to appropriated amounts. This also has the effect of understating fiscal year 1981-82 expenditures and overstating fiscal year 1982-83 expenditures by \$6,466.

RECOMMENDATION #8

WE RECOMMEND THE DEPARTMENT:

- A. RECORD EXPENDITURE TRANSACTIONS IN THE PROPER YEAR.
- B. MONITOR EXPENDITURE TRANSACTIONS AND APPROPRIATION BALANCES TO ENSURE ITS APPROPRIATION AUTHORITY IS NOT EXCEEDED.

PLANT, PROPERTY, AND EQUIPMENT

State policy requires all state agencies to account for state owned property, plant, and equipment with a value in excess of \$200 and a useful life of greater than one year on the Property Accountability and Management System (PAMS). The department is presently in the process of implementing this system. The following report sections discuss instances where the department could improve its internal control and transaction processing.

Internal Control

We reviewed the department's compliance with state accounting policy for the maintenance and safeguarding of fixed assets. We also reviewed the system of control established by the department over its fixed assets. We tested 28 sample items and as a result we identified the following problems.

1. Seven items had no supporting documentation of cost or value.
2. All fixed assets should have property numbers attached, through the use of a property tag or actually etching the number on the asset. We noted:
 - a. One item did not have the correct PAMS number that was assigned to it.
 - b. Four items did not have PAMS property numbers affixed to them.
3. When Local Government Services was transferred from the Department of Community Affairs to DoFA, PAMS forms were filled out for its assets, but agency personnel were unable to

locate these forms or the supporting documentation that was used in preparing the forms. PAMS numbers were never attached to these assets. During the transfer these assets were properly removed from the property records at the Department of Community Affairs but the assets were not included in DofA's property records.

4. PAMS adjustments should be made on a timely basis to ensure the safeguarding of assets. We noted several instances of untimely additions and deletions on PAMS. On June 21, 1983, twenty-nine additions were made to PAMS to record Publications and Graphics equipment which had purchase dates ranging from 1980 to 1983. In another instance, an item that was transferred to the Department of Health and Environmental Sciences was not removed from DofA's records until seven months later. We also found where the PAMS master register stated that assets were located in the Health Building when in fact they were located in the Mitchell and Old Livestock buildings.

RECOMMENDATION #9

WE RECOMMEND THE DEPARTMENT TAKE STEPS TO ENSURE THAT ASSETS ARE PROPERLY ACCOUNTED FOR AND SAFEGUARDED TO AVOID POSSIBLE LOSS, MISUSE, OR THEFT.

Recording

When the department purchased three buildings in July 1981, it did not record the donated portion of the purchase in accordance with state policy. The purchase price of \$2,465,000 and agreement with the seller included a donation by the seller of \$315,000. The three buildings were initially recorded at a cash price of \$2,150,000 with no value recorded for the land.

The entire donation value of \$315,000 was recorded as land on the department's books. State policy requires that the donated value of the property be included to determine the recorded price of the land and buildings. The donation should be allocated among the land and buildings based on a ratio of cost appraisal value.

In our last audit report we recommended that the department establish a statewide policy to record land and buildings on the state's accounting records. In response, the department's Accounting Division issued Management Memo (MM) 2-82-4 that

states certain agencies and operations will be responsible for recording land, buildings, and construction-in-progress in their accounting records.

As of June 30, 1983, the department has not removed from its property records land and buildings belonging to other agencies which should be recorded at the agency in accordance with MM 2-82-4. In addition, the department did not include on its property records other land and buildings which in accordance with MM 2-82-4 should be recorded at DoFA.

RECOMMENDATION #10

WE RECOMMEND THE DEPARTMENT:

- A. RECORD ALL FIXED ASSETS IN ACCORDANCE WITH STATE ACCOUNTING POLICY AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.
- B. COMPLY WITH MANAGEMENT MEMO 2-82-4 FOR RECORDING LAND AND BUILDINGS.

BOND RESERVE

The amount held in reserve for the payment of principal and interest due on general obligation Long Range Building Program bonds exceeded reserve requirements by \$821,450 at June 30, 1983 and \$267,562 at June 30, 1982. A similar problem was noted in our prior audit report.

Section 17-5-405(5), MCA, states that money received at anytime in the debt service account in excess of the principal and interest reserve requirement shall be transferred to the General Fund.

The excess reserve amounts are the result of three situations. First, two university units, Montana State and Eastern Montana, acquired buildings which were financed by the Long Range Building Program bonds. State law requires the university units to enter into an agreement to provide funds to repay the portion of the bonds which financed the universities' buildings. The universities transferred funds to the Debt Service Account to

cover the reserve requirement attributed to the bonds financing the universities' buildings. However, due to the different bond maturity dates, the reserve requirement transferred by the universities plus other reserves, exceeded the total reserve requirement for all Long Range Building Program bonds. These excess amounts were returned to the universities in October 1983. The second situation relates to a decrease in the total reserve requirements from June 1982 to June 1983 due to bonds maturing during fiscal year 1983. Third, the remaining excess was interest received on investments during the fiscal year but not transferred to the General Fund until fiscal year 1983-84. The following table details the amounts associated with the situations discussed.

TABLE 1

	<u>June 30, 1982</u>	<u>June 30, 1983</u>
Excess Payments from the University Units	\$261,920	\$245,485
Decrease in Reserve Requirements		292,200
Interest Received and not Transferred		283,765
Excess Reserve Payments	<u>5,642</u>	<u> </u>
	<u>\$267,562</u>	<u>\$821,450</u>

Source: Compiled by the Office of the Legislative Auditor

To ensure compliance with state law the department should closely monitor the balance held in the bond reserve.

RECOMMENDATION #11

WE RECOMMEND THE DEPARTMENT TRANSFER MONEYS IN EXCESS OF THE RESERVE REQUIREMENT OF GENERAL OBLIGATION BONDS TO THE STATE'S GENERAL FUND IN ACCORDANCE WITH STATE LAW.

DEFERRED COMPENSATION

In our previous audit we recommended the department record all deferred compensation contributions on a timely basis. We also recommended the department reconcile the carrier's reports to the state's accounting records to ensure contributions and withdrawals were accounted for. We found the department records the contributions timely and during June of each fiscal year, the department reconciles the fund and reflects fund balances based on the most current information. While this does reconcile the state's records, we believe it is not on a timely basis. A more frequent, perhaps quarterly, reconciliation and posting to the state's records would provide management with more valid and current information and allow for the prompt detection and correction of errors. This could also point out any potential discrepancies earlier than an annual reconciliation and posting.

RECOMMENDATION #12

WE RECOMMEND THE DEPARTMENT RECONCILE AND UPDATE THE DEFERRED COMPENSATION PROGRAM FUND BALANCES ON A QUARTERLY BASIS.

SELF-INSURANCE PROGRAM

The Insurance and Legal Division does not have written procedures for handling claims. It does have an informal process. Personnel from this division state that they believe their informal, unwritten policy practices are sufficient to handle the processing of claims. However, with total assets of almost \$9.5 million at June 30, 1983 and fiscal year 1982-83 expenditures of \$4.4 million this is a substantial program and we do not believe it should be operated with informal, unwritten policies.

We contacted insurance companies and noted that all insurance companies contacted had formal written claims handling procedures. Having written procedures provides consistency in handling claims and would help strengthen internal control. This point was

previously recommended to the division as a result of an outside review by an independent actuary.

RECOMMENDATION #13

WE RECOMMEND THE DEPARTMENT ESTABLISH WRITTEN PROCEDURES FOR HANDLING CLAIMS.

CASH

Non-State Treasury Accounts

Department imprest cash and revolving fund records indicated some state agencies maintaining cash outside the state treasury were not sending in monthly reconciliations to DofA, Accounting Division, as required by MOM 2-1900. However, in conjunction with another audit, we verified that the monthly reconciliations had been prepared and the agency indicated these were submitted to the department. As a result we were unable to rely on department records to determine which agencies were in compliance with reconciliation requirements.

The department should ensure its reconciliation records are current and reliable. The department should then monitor and enforce the reconciliation requirement. MOM 2-1960.20 states that failure to comply with this requirement (timely reconciliations) can result in a loss of the cash account.

RECOMMENDATION #14

WE RECOMMEND THE DEPARTMENT EITHER ENSURE ITS IMPREST CASH AND REVOLVING FUND RECONCILIATION RECORDS ARE CURRENT AND RELIABLE OR REVISE ITS POLICY.

BOND ISSUES

The State of Montana does not have a formal written policy for the accounting of costs associated with bond issues. The result is an inconsistent and improper recording of those costs.

We found that there are essentially two ways in which these costs are accounted for by the state. One method capitalizes the issuance costs for bonded capital projects or expenses them for revenue anticipation bonds. The other method offsets the issuance costs against the bond proceeds, therefore only reflecting the net receipt. This results in inconsistent recording of the issuance costs and in the case of the latter method is in violation of generally accepted accounting principles (GAAP) and results in the understatement of both the bond receipts and the related expense of issuance.

The Department of Administration, Accounting Division, encourages the use of GAAP when recording such costs, but with no formal guidelines to follow it is up to the discretion of the individual agency how those costs are recorded. The adoption of a statewide policy for the proper accounting for bond issuance costs is needed to provide guidelines for their proper and consistent recording.

RECOMMENDATION #15

WE RECOMMEND THE DEPARTMENT IMPLEMENT FORMAL GUIDELINES TO ENSURE CONSISTENCY FOR THE RECORDING OF BOND ISSUANCE COSTS.

GENERAL SERVICES DIVISION

The department's General Services Division maintains state buildings, provides mail and messenger services, provides capitol grounds security and manages surplus property. The following sections discuss areas for improvement in the division's operations.

Rental Property

The General Services Division rents state property to non-state firms that provide services to the capitol complex. These firms are charged the same rental rates that state agencies pay. The state rate for fiscal year 1982-83 was \$2.69 per square foot. The commercial rate for equivalent rental space is two to six times

higher than the state rate. Agency personnel explained that prior to the rental of some property, it had stood vacant for over one year. They were also not aware of any state agency that could use this space presently. However, since some of these firms provide services to the rest of the community, they are provided with an unfair economic advantage because they have an abnormally low rental expense to pass on to their customers. Rental rates to the non-state firms should be based on commercial rates and any profits from the rental property should revert to the General Fund.

We noted that no formal lease agreement existed between the department and non-state firms. A formal lease agreement could aid in clarifying or resolving any potential disputes.

Mail Service

In order to cover its costs, General Services Division (GSD) charges state agencies for their mail and messenger services. These charges are determined with the use of a point system devised by the division. The system assigns a different number of points for letters, packages, and boxes that GSD will either pick up or deliver. Also included in the rate is a charge for additional daily stops and general sorting, random pickup, and administrative charges. We found that twenty out of ninety agencies billed were charged rates other than those calculated through the use of the GSD point system. Sixteen of the twenty agencies were billed at higher rates and the remaining four agencies were billed at lower rates. This results in an inequitable allocation of costs to all agencies.

RECOMMENDATION #16

WE RECOMMEND THE DEPARTMENT:

- A. USE FORMAL WRITTEN LEASE AGREEMENTS IN ALL NON-STATE RENTAL SITUATIONS.
- B. APPLY ITS COST ALLOCATION SYSTEM FOR MAIL AND MESSENGER SERVICE TO ALL STATE AGENCIES ON A CONSISTENT BASIS.

REVENUE ESTIMATES

According to state law, an annual budget shall be established for each accounting entity to provide budgetary control over governmental receipts and disbursements.

It is the department's policy in the Capital Projects Fund to prepare revenue estimates for Rent, Royalties and Taxes. We found the department does not establish revenue estimates for Service Fees and Investment Earnings. The department received \$3,350,019 in 1982 and \$5,540,031 in 1983 from investment earnings. The budgeting of revenues is a major component of the legislature's planning and control of its fiscal operations and, therefore, should be used whenever possible. Without revenue estimates, users cannot make valid decisions regarding the level of funding to be provided from the various revenue sources.

RECOMMENDATION #17

WE RECOMMEND THE DEPARTMENT PREPARE ANNUAL REVENUE ESTIMATES FOR ALL MAJOR REVENUE SOURCES.

BUILDING CODES

Section 50-60-401, MCA, states that the department shall make building codes for mobile homes and recreational vehicles embodying the principles in USAS A119.1 and A119.2 (United States of America Standards). According to department personnel this section is outdated in that the USAS has been defunct for over ten years. The department presently follows NFPA 50/C (National Fire Protection Association) and ANSI 119.2 (American National Standards Institute).

RECOMMENDATION #18

WE RECOMMEND THE DEPARTMENT SEEK LEGISLATION TO REFERENCE THE BUILDING CODE STANDARDS WHICH ARE CURRENTLY FOLLOWED.

INTERNAL CONTROL

We examined the financial statements of the various funds and account groups of the Department of Administration and its administratively attached agencies for the two fiscal years ended June 30, 1983. We issued our opinion dated November 30, 1983, on these statements. As part of our examination, we made a study and evaluation of the systems of control of the department. Our study evaluated the systems as required by generally accepted governmental auditing standards for financial and compliance audits. We classified the controls in the following categories:

1. revenue/receivables;
2. payroll;
3. expenditures/payables;
4. cash;
5. plant, property, and equipment/inventories; and
6. Treasurer's Office.

Our study included the control categories listed above. Through our study, we determined the nature, timing, and extent of our auditing procedures. We applied alternative audit tests to accounts receivable because the audit could be performed more efficiently by expanding substantive tests. We did not evaluate the control systems to the extent necessary to give an opinion on either individual segments or the system as a whole.

The management of the Department of Administration is responsible for establishing and maintaining the systems of accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable assurance that: 1) assets are safeguarded against loss from unauthorized use or disposition; 2) transactions are executed in accordance with management's authorization; and 3) transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Inherent limitations in any system of controls may cause errors or irregularities to remain undetected. The current system evaluations should not be used to

project to future periods since the procedures may become inadequate or compliance with them may deteriorate.

The limited purpose of our study described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of controls used by the Department of Administration. Although our study did not disclose material weaknesses in internal controls, it did disclose conditions that could result in financial statement errors that would be difficult to detect. These conditions relating to the lack of inventory procedures and revenue are discussed in the following sections and plant, property, and equipment is discussed on pages 15 through 17.

These conditions were considered in determining the nature, timing, and extent of our audit tests of the financial statements and this report does not affect our opinion on the financial statements dated November 30, 1983.

The preceding four paragraphs are intended solely for the use of management and the legislature and should not be used for any other purpose. This restriction as to use is not intended to limit the distribution of this document which, upon acceptance by the Legislative Audit Committee, is a matter of public record.

Inventory Control

In fiscal years 1981-82 and 1982-83, the Publications and Graphics Division did not inventory raw materials and work in process. Management Memorandum 2-81-2 requires that agencies maintain adequate records of all assets acquired and that a physical inventory be taken at least once a year.

Without conducting a physical inventory a division will not be alerted to possible loss of its assets. Also, a physical inventory should be used as a management tool in ordering and maintaining an adequate but not excessive inventory.

A physical inventory was performed at Surplus Property Division the last week of December 1982. The physical count was not reconciled to the perpetual inventory cards until four months

later. This defeats the purpose and benefits of a physical inventory count.

RECOMMENDATION #19

WE RECOMMEND THE DEPARTMENT:

- A. ENSURE ALL DIVISIONS CONDUCT AN ANNUAL COUNT OF INVENTORY.
- B. RECONCILE THE COUNT TO THE RECORDS IN A TIMELY MANNER.

Revenue

The individual who opens the mail for the Personnel Division logs in all checks except the deferred compensation warrants from universities which are logged in by a separate employee. For more complete control, the person who opens the mail should log in all checks. The division's log-in procedure also includes restrictively endorsing these checks. In our examination, two of twenty checks were not restrictively endorsed.

RECOMMENDATION #20

WE RECOMMEND THE DEPARTMENT ESTABLISH PROCEDURES TO ENSURE CHECKS ARE LOGGED IN AND RESTRICTIVELY ENDORSED IN ACCORDANCE WITH DEPARTMENT POLICY.

PRIOR AUDIT RECOMMENDATIONS

We performed the last audit of the Department of Administration for the two fiscal years ending June 30, 1981. Our report contained twelve recommendations still applicable to department operations. The department concurred with all twelve recommendations. The department has implemented nine and partially implemented three.

Recommendations partially implemented relate to plant, property, and equipment; bond reserve; and deferred compensation. These topics are discussed on pages 15, 17 and 19, respectively.

AUDITOR'S REPORT AND AGENCY FINANCIAL STATEMENTS

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122



ROBERT R. RINGWOOD
LEGISLATIVE AUDITOR

DEPUTY LEGISLATIVE AUDITORS:

JAMES H. GILLET
FINANCIAL/COMPLIANCE AUDITS

SCOTT A. SEACAT
PERFORMANCE AUDITS

STAFF LEGAL COUNSEL

JOHN W. NORTHEY

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the combined financial statements of the various funds and account groups of the Department of Administration, excluding the administratively attached agencies mentioned in paragraph 2, as of and for each of the two fiscal years ended June 30, 1983 and June 30, 1982 as shown on pages 29 through 61. Our examination was made in accordance with generally accepted governmental auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

These accounts and funds are excluded from these financial statements.

<u>Administratively Attached Agency</u>	<u>Account or Fund</u>
Treasury Division	Treasurer's Cash
Board of Housing	Accountability Account
Teachers' Retirement Division	Housing Authority Fund
Public Employees'	Teachers' Retirement Trust Fund
Retirement Division	Public Employees'
Board of Investments	Retirement Trust Funds
	Investment Funds

The General Warrant Revolving Account is presented separately as explained in Note 4.

The department's financial statements are materially different from its accounting records on the Statewide Budgeting and Accounting System (SBAS). The variances between the financial statements and the accounting records are the result of department adjustments necessary to correct errors in the accounting records and present the financial statements in accordance with generally accepted accounting principles.

In our opinion, the financial statements of the various funds and account groups referred to in paragraph one present fairly the financial position of such funds and account groups of the Department of Administration as of June 30, 1983 and June 30, 1982 and the results of operations and changes in financial position for the two fiscal years then ended, in conformity with generally accepted accounting principles which, except for the changes discussed in footnotes 1K, 2 and 11, with which we concur, have been applied on a consistent basis.

The column on the accompanying financial statements referred to in paragraph one captioned "Total (Memorandum Only)" is not necessary for a fair presentation of the financial statements, but is presented as additional analytical data as described in note 11 to the financial statements. This supplemental information has been subjected to the tests and other auditing procedures applied in the examination of the financial statements above, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully submitted,



James H. Gillett, CPA
Deputy Legislative Auditor

November 30, 1983

Approved:



Robert R. Ringwood
Legislative Auditor

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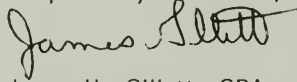
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Respectfully submitted,



James H. Gillett, CPA
Deputy Legislative Auditor

November 30, 1983

Approved:



Robert R. Ringwood
Legislative Auditor

DEPARTMENT OF ADMINISTRATION
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1983

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	ACCOUNT GROUPS		TOTAL (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	
ASSETS										
Cash (Note 4)	\$ 264	\$472,812	\$ 47,979	\$ 1,964,407	\$ 272,100	\$ 3,097,199	\$ 5,651			\$ 5,860,412
Investments (Note 1G)			9,419,045	29,842,943	6,993,726	8,402,903				54,658,617
Accrued Interest Receivable	3,023,937		288,458	1,201,995	59,009	81,790				4,655,189
Accounts Receivable	15,471	11,634		285	668,113	1,419,102	58,300			2,172,905
Inventory (Note 1D)						268,501				268,501
Dishonored Checks	40	1,035			929	12				2,016
Expense Advances	9,008	1,662				427				11,097
Inter-Entity Loans Receivable	826,362			10,000						836,362
Due From Debt Service Fund	461,679									461,679
Due From Federal Grant		10,000								10,000
Notes Receivable						160,336				160,336
Other Advances & Prepayments		12,248		14,177						26,425
Property Held in Trust							18,912,876			18,912,876
Land								\$ 2,437,445		2,437,445
Building								17,795,215		17,795,215
Equipment (Note 1K)					46,222	6,351,165		421,139		6,818,526
Museum & Art								74,000		74,000
Accumulated Depreciation					(7,531)	(2,737,962)				(2,745,493)
Amount in Debt Service Fund									\$ 533,943	533,943
Amount to be Provided for Retirement of Long-Term Debt (Note 6)									61,667,607	61,667,607
Construction Work in Process (Note 11)								13,016,104		13,016,104
Total Assets	<u>\$4,336,761</u>	<u>\$509,391</u>	<u>\$ 9,755,482</u>	<u>\$33,033,807</u>	<u>\$8,032,568</u>	<u>\$17,043,473</u>	<u>\$18,976,827</u>	<u>\$33,743,903</u>	<u>\$62,201,550</u>	<u>\$187,633,762</u>
LIABILITIES & FUND EQUITY										
Liabilities:										
Account Payable	\$ 30,350	\$ 96,161		\$ 256,280	\$ 45,779	\$ 827,969				\$ 1,256,539
Accrued Liabilities	286,603	47,413		520,904	457,471	302,064				1,614,455
Due to Other Entities			\$ 172,361							172,361
Accountability for Advances							219			219
Unaccumulated Bond Discounts (Note 1C)			10,137	4,263						14,400
Notes Payable						160,336				160,336
Inter-Entity Loans Payable				806,362						806,362
Purchase Contracts Payable (Note 8)						2,079,836				2,079,836
Matured Interest Payable			13,793							13,793
Property Held in Trust	16,292				6,000		\$18,976,827			18,999,119
Mortgage Payable (Note 6)									\$ 1,376,550	1,376,550
General Obligation Bond Outstanding (Note 6)									60,825,000	60,825,000
Due to General Fund			461,679							461,679
Deferred Revenue						1,626				1,626
Total Liabilities	<u>333,245</u>	<u>143,574</u>	<u>657,970</u>	<u>1,587,809</u>	<u>509,250</u>	<u>3,372,050</u>	<u>18,976,827</u>	<u>33,743,903</u>	<u>62,201,550</u>	<u>87,782,275</u>
Fund Equity:										
Fund Balance		365,817								365,817
Designated for Debt Service			533,943							533,943
Reserves	4,003,516		8,563,569	31,445,998	7,523,318	13,671,423				44,013,083
Retained Earnings										21,194,741
Investments in Fixed Assets								\$33,743,903		33,743,903
Total Fund Equity	<u>4,003,516</u>	<u>365,817</u>	<u>9,097,512</u>	<u>31,445,998</u>	<u>7,523,318</u>	<u>13,671,423</u>	<u></u>	<u>33,743,903</u>	<u></u>	<u>99,851,487</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$4,336,761</u>	<u>\$509,391</u>	<u>\$ 9,755,482</u>	<u>\$33,033,807</u>	<u>\$8,032,568</u>	<u>\$17,043,473</u>	<u>\$18,976,827</u>	<u>\$33,743,903</u>	<u>\$62,201,550</u>	<u>\$187,633,762</u>

The notes to the financial statements are an integral part of this statement.

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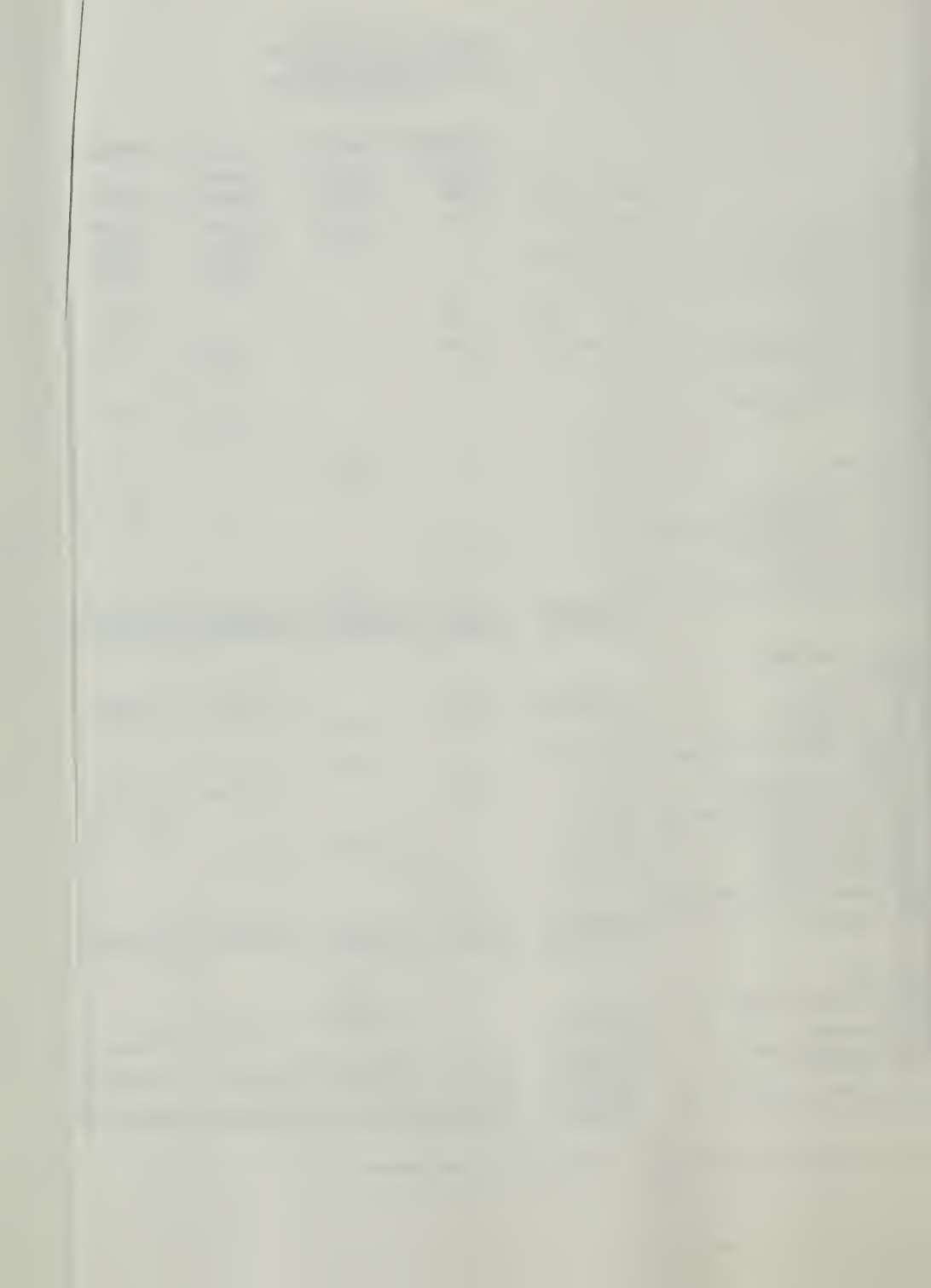
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DEPARTMENT OF ADMINISTRATION
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1982

	<u>GOVERNMENTAL FUND TYPES</u>				<u>PROPRIETARY FUND TYPES</u>		<u>FIDUCIARY FUND TYPE</u>	<u>ACCOUNT GROUPS</u>		<u>TOTAL (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	
<u>ASSETS</u>										
Cash (Note 4)	\$ 50	\$491,938	\$ 5,376,905	\$ 749,804	\$ 321,847	\$ 2,833,177	\$ 236,215			\$ 10,009,936
Investments (Note 1G)			8,928,549	39,863,757	5,055,672	8,993,567				62,841,545
Accrued Interest Receivable	4,529,131		253,622	1,655,271	57,780	100,054				6,595,858
Accounts Receivable	16,068	5,219		60,719	591,420	1,152,673	36,901			1,863,000
Deferred Accounts Receivable				100,000						100,000
Inventory (Note 1D)						323,530				323,530
Dishonored Checks	40	767				(599)				208
Expense Advances	9,555	2,121			7,300	1,132				20,108
Inter-Entity Loans Receivable	1,809,835	60,000		100,000		105,744				2,075,579
Unaccumulated Bond Discounts			54	3,508						3,562
Interest Purchase				5,077						5,077
Notes Receivable						160,336				160,336
Other Advances & Prepayments				2,399		11,282				13,681
Property Held in Trust							14,584,599			14,584,599
Land								\$ 1,292,012		1,292,012
Building								16,054,048		16,054,048
Equipment (Note 1K)						5,715,194		238,376		5,953,570
Museum and Art								74,000		74,000
Accumulated Depreciation						(1,901,881)				(1,901,881)
Amount in Debt Service Fund									\$ 670,249	670,249
Amount to be Provided for Retirement of Long-Term Debt (Note 6)			5,641						64,866,979	64,866,979
Due From Capital Projects			52,747							5,641
Due From General Fund										52,747
Construction Work in Process (Note 11)								10,273,258		10,273,258
Total Assets	<u>\$6,364,679</u>	<u>\$560,045</u>	<u>\$14,617,518</u>	<u>\$42,540,535</u>	<u>\$6,034,019</u>	<u>\$17,494,209</u>	<u>\$14,857,715</u>	<u>\$27,931,694</u>	<u>\$65,537,228</u>	<u>\$195,937,642</u>
<u>LIABILITIES & FUND EQUITY</u>										
<u>Liabilities:</u>										
Accounts Payable	\$ 244,119	\$ 72,161		\$ 878,474	\$ 38,602	\$ 555,842	\$ 2,721			\$ 1,791,919
Accrued Liabilities	351,000	1,799		13,416	410,427	304,142				1,080,784
Due to Other Entities			\$ 16,435							16,435
Due to Other Funds	52,747									52,747
Unaccumulated Bond Discounts (Note 1G)			13,212	1,867						15,079
Notes Payable						160,336				160,336
Inter-Entity Loans Payable		57,000		932,000		408,744				1,397,744
Receipts Collected in Advance						53,379				53,379
Purchase Contracts Payable (Note 8)						2,713,985				2,713,985
Matured Interest Payable			2,636,559							2,636,559
Matured Bonds Payable			2,435,000							2,435,000
Property Held in Trust							14,854,994			14,854,994
Mortgage Payable (Note 6)									\$ 1,427,228	1,427,228
General Obligation Bonds Outstanding (Note 6)									64,110,000	64,110,000
Total Liabilities	<u>647,866</u>	<u>130,960</u>	<u>5,101,206</u>	<u>1,825,757</u>	<u>449,029</u>	<u>4,196,428</u>	<u>14,857,715</u>	<u>-0-</u>	<u>65,537,228</u>	<u>92,746,189</u>
<u>Fund Equity:</u>										
Fund Balance		429,085								429,085
Designated for Debt Service			670,249							670,249
Reserves	5,716,813		8,846,063	40,714,778	5,584,990	1,190				55,278,844
Retained Earnings						13,296,591				18,881,581
Investment in Fixed Assets								\$27,931,694		27,931,694
Total Fund Equity	<u>5,716,813</u>	<u>429,085</u>	<u>9,516,312</u>	<u>40,714,778</u>	<u>5,584,990</u>	<u>13,297,781</u>		<u>27,931,694</u>		<u>103,191,453</u>
<u>TOTAL LIABILITIES & FUND EQUITY</u>	<u>\$6,364,679</u>	<u>\$560,045</u>	<u>\$14,617,518</u>	<u>\$42,540,535</u>	<u>\$6,034,019</u>	<u>\$17,494,209</u>	<u>\$14,857,715</u>	<u>\$27,931,694</u>	<u>\$65,537,228</u>	<u>\$195,937,642</u>

The notes to the financial statements are an integral part of this statement.

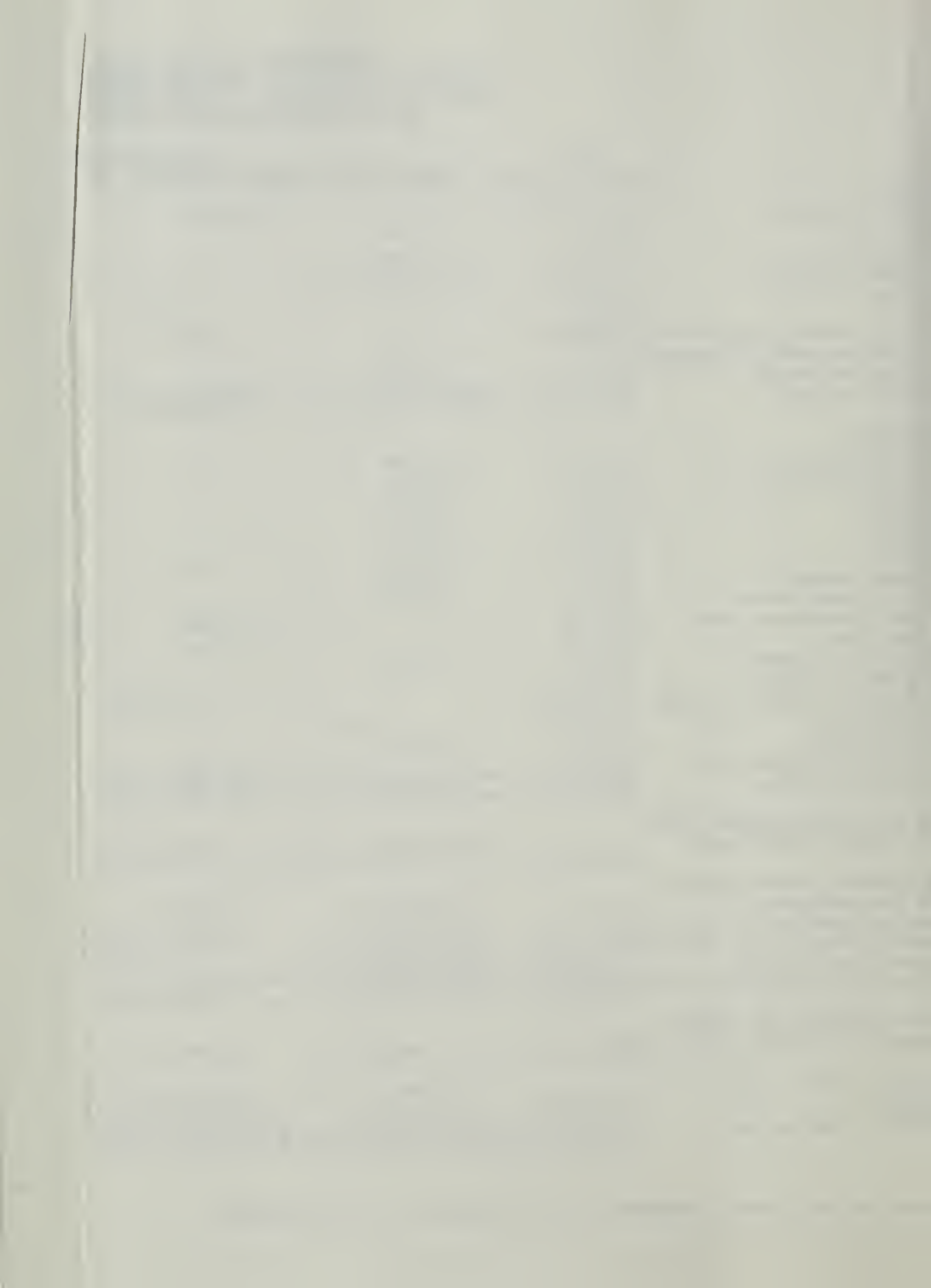




DEPARTMENT OF ADMINISTRATION
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1983

	<u>GOVERNMENTAL FUND TYPES</u>				<u>TOTAL</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
REVENUES:					
Licenses & Permits	\$ 178,675	\$ 858,585			\$ 1,037,260
Taxes	3,535				3,535
Service Fees	78,741			\$ 57,110	135,851
Investment Earnings	28,478,684		\$ 1,133,570	5,051,991	34,664,245
Fines	759,811				759,811
Rent			196,548		196,548
Sale of Documents, Merchandise & Property	697	9,903			10,600
Income Collections & Transfers	5,342				5,342
Miscellaneous Income	51,126				51,126
Total Revenues	<u>29,556,611</u>	<u>868,488</u>	<u>1,330,118</u>	<u>5,109,101</u>	<u>36,864,318</u>
EXPENDITURES:					
Bond & Note Costs	1,374,589				1,374,589
Central Administration	242,034				242,034
Accounting	824,292				824,292
Purchasing	469,295				469,295
Treasury	410,123				410,123
Personnel	1,022,434	881			1,023,315
Passenger Tramway	13,384				13,384
State Tax Appeal Board	254,985				254,985
Workers' Compensation Court		211,189			211,189
Building Codes		816,936			816,936
District Court Grants	375,000				375,000
Debt Service Principal			3,335,678		3,335,678
Debt Service Interest and Fees			5,556,495		5,556,495
Capital Outlay				17,785,951	17,785,951
Local Government	311,137				311,137
Architecture & Engineering		416,650			416,650
Total Expenditures	<u>5,297,273</u>	<u>1,445,656</u>	<u>8,892,173</u>	<u>17,785,951</u>	<u>33,421,053</u>
EXCESS OF CURRENT REVENUES OVER (UNDER) CURRENT EXPENDITURES	<u>24,259,338</u>	<u>(577,168)</u>	<u>(7,562,055)</u>	<u>(12,676,850)</u>	<u>3,443,265</u>
OTHER FINANCING SOURCES (USES):					
Prior Year Adjustments	(325,389)	10,283	(5,641)	28,000	(292,747)
Operating Transfers In (Note II)	22,797,971	655,924	36,190,704	4,746,821	64,391,420
Operating Transfers Out (Note II)	(54,204,169)		(28,295,495)	(2,466,377)	(84,966,041)
Appropriations (Support)	5,297,273			1,002,100	6,299,373
Total Other Financing Sources (Uses)	<u>(26,434,314)</u>	<u>666,207</u>	<u>7,889,568</u>	<u>3,310,544</u>	<u>(14,567,995)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES)	<u>(2,174,976)</u>	<u>89,039</u>	<u>327,513</u>	<u>(9,366,306)</u>	<u>(11,124,730)</u>
FUND EQUITY, JULY 1, 1982	5,716,813	429,085	9,516,312	40,714,778	56,376,988
Adjustments	461,679	(152,307)	(746,313)	97,526	(339,415)
FUND EQUITY, JUNE 30, 1983	<u>\$ 4,003,516</u>	<u>\$ 365,817</u>	<u>\$ 9,097,512</u>	<u>\$ 31,445,998</u>	<u>\$ 44,912,843</u>

The notes to the financial statements are an integral part of this statement.



REVENUE

Licenses
Taxes
Services
Investments
Fines
Sales
Income
Federal
Rent
Miscellaneous
Total

EXPENSES

Bonds
Centers
Accounts
Purchases
Treasury
Personnel
Passes
Statutes
Works
Buildings
Telephones
Capital
Debt
Debt
District
Local
Archives
Total

EXCESS (UNDEVELOPED)

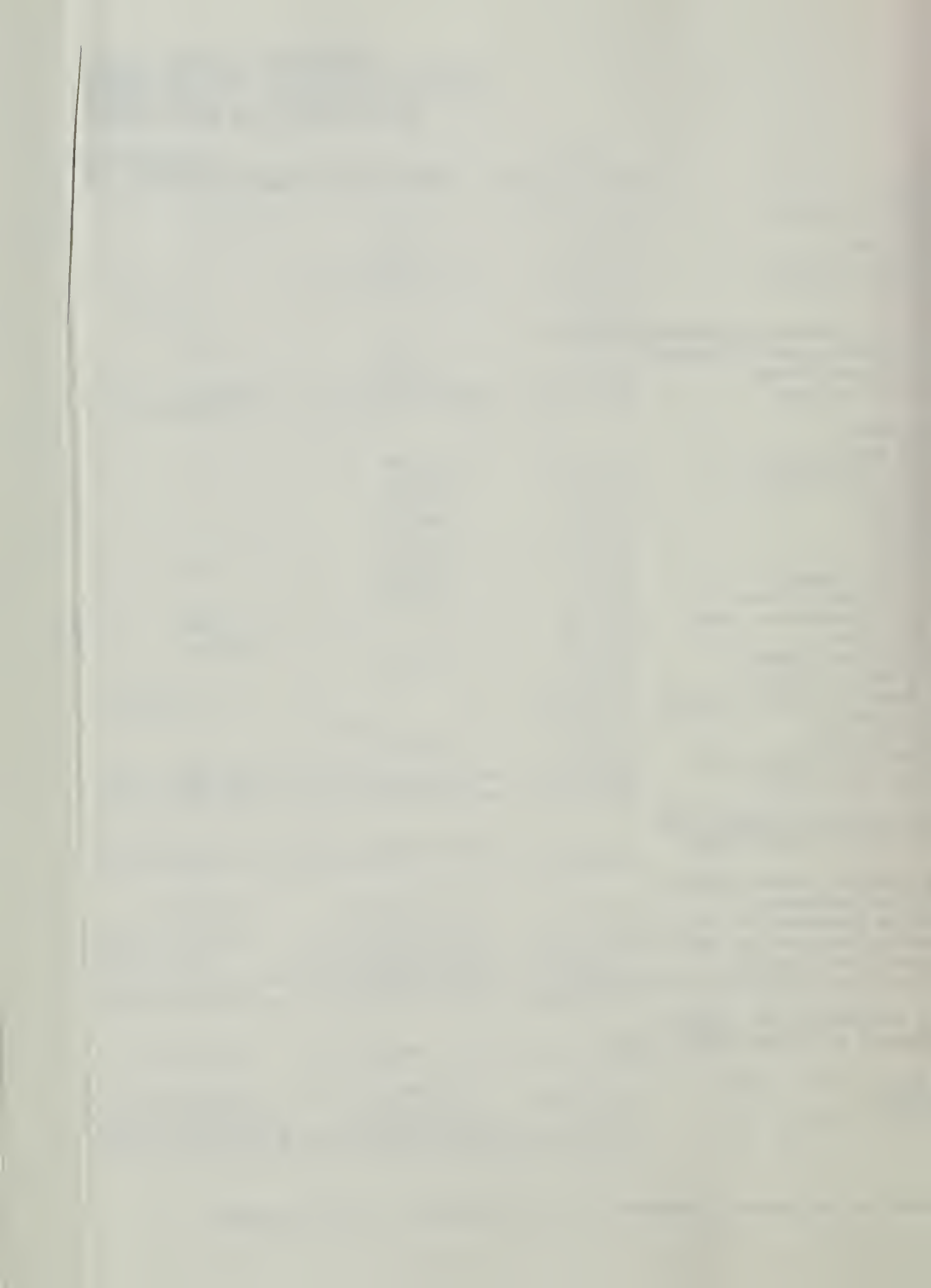
OTHER

Prior
Operations
Operations
Approvals
Bonds
Total

EXCESS EXPENSES

FUND 1 Adjustments FUND 1

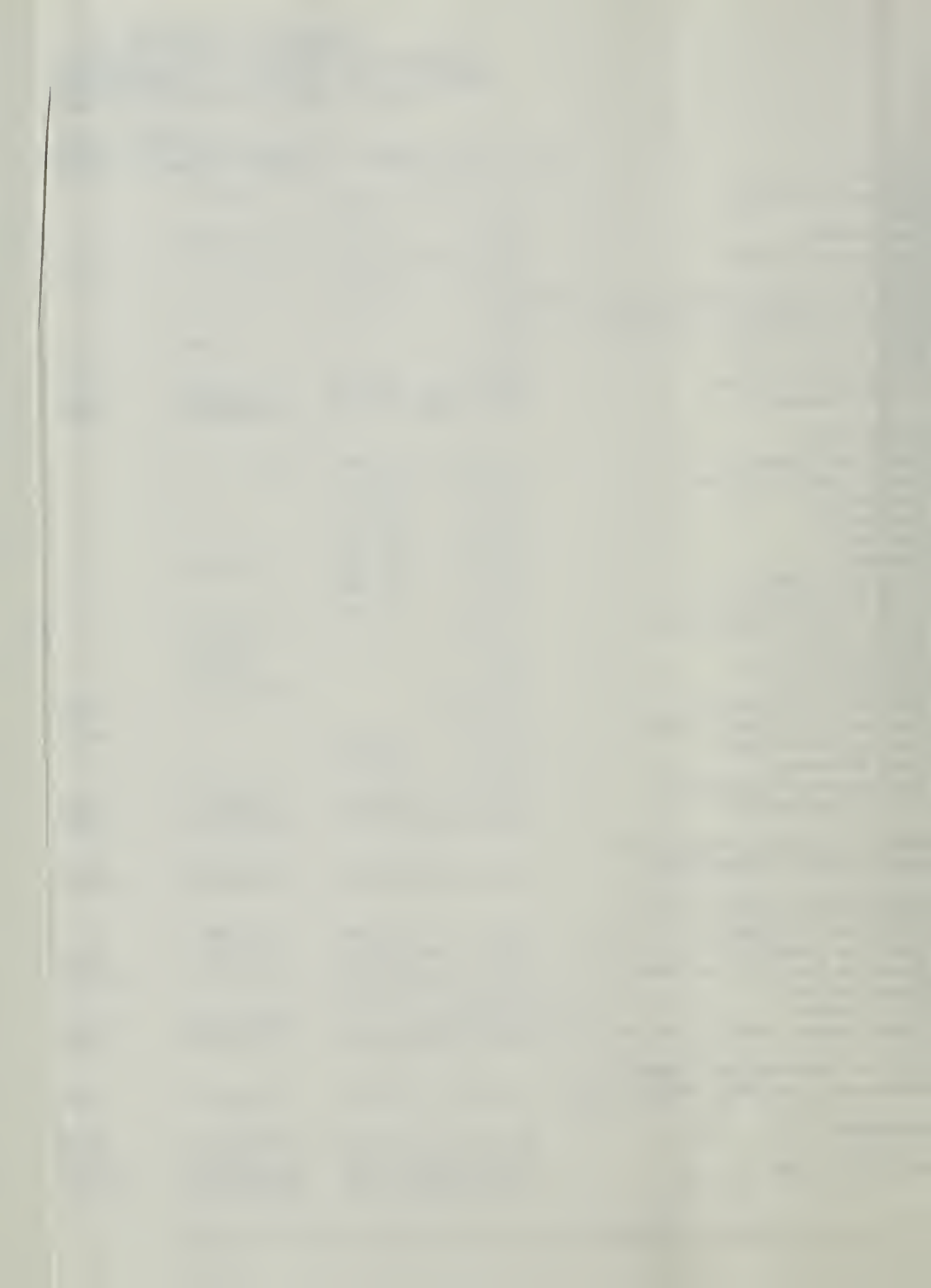
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DEPARTMENT OF ADMINISTRATION
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1982

	GOVERNMENTAL FUND TYPES				TOTAL (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
REVENUES:					
Licenses & Permits	\$ 95,019	\$ 788,555			\$ 883,574
Taxes	13,426				13,426
Service Fees	89,764	87,486		\$ 71,010	248,260
Investment Earnings	42,656,855		\$ 837,935	4,781,981	48,276,771
Fines	835,676				835,676
Sale of Documents, Merchandise, & Property		4,003			4,003
Income, Collections, & Transfers	21,241				21,241
Federal Assistance		7,099			7,099
Rent			196,527		196,527
Miscellaneous Income	16,188	36			16,224
Total Revenues	<u>43,728,169</u>	<u>887,179</u>	<u>1,034,462</u>	<u>4,852,991</u>	<u>50,502,801</u>
EXPENDITURES:					
Bond & Note Costs	3,826,089			77,460	3,903,549
Central Administration	224,552				224,552
Accounting	805,251				805,251
Purchasing	408,605				408,605
Treasury	310,928				310,928
Personnel	990,081	144,150			1,134,231
Passenger Tramway	10,681				10,681
State Tax Appeal Board	255,960				255,960
Workers' Compensation Court		233,297			233,297
Building Codes		785,651			785,651
Telecommunications		22,590			22,590
Capital Outlay				17,184,078	17,184,078
Debt Service Principal			3,291,332		3,291,332
Debt Service Interest & Fees			4,568,358		4,568,358
District Court Grants	375,000				375,000
Local Government	264,772				264,772
Architecture & Engineering		376,159			376,159
Total Expenditures	<u>7,471,919</u>	<u>1,561,847</u>	<u>7,859,690</u>	<u>17,261,538</u>	<u>34,154,994</u>
EXCESS OF CURRENT REVENUES OVER (UNDER) CURRENT EXPENDITURES	<u>36,256,250</u>	<u>(674,668)</u>	<u>(6,825,228)</u>	<u>(12,408,547)</u>	<u>16,347,807</u>
OTHER FINANCING SOURCES (USES):					
Prior Year Adjustments	32,349	(3,980)		28,343	56,712
Operating Transfers In (Note II)	20,450,000	688,999	41,250,280	4,172,569	66,561,848
Operating Transfers Out (Note II)	(63,506,335)		(31,255,975)	(2,408,211)	(97,170,521)
Appropriations	7,471,919				7,471,919
Bond Proceeds				36,550,000	36,550,000
Total Other Financing Sources (Uses)	<u>(35,552,067)</u>	<u>685,019</u>	<u>9,994,305</u>	<u>38,342,701</u>	<u>13,469,958</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES)	<u>704,183</u>	<u>10,351</u>	<u>3,169,077</u>	<u>25,934,154</u>	<u>29,817,765</u>
FUND EQUITY, JULY 1, 1981	536,246	409,754	6,209,102	14,572,296	21,727,398
Adjustments	4,476,384	8,980	138,133	208,327	4,831,824
FUND EQUITY, JUNE 30, 1982	<u>\$ 5,716,813</u>	<u>\$ 429,085</u>	<u>\$ 9,516,312</u>	<u>\$40,714,777</u>	<u>\$56,376,987</u>

The notes to the financial statements are an integral part of this statement.

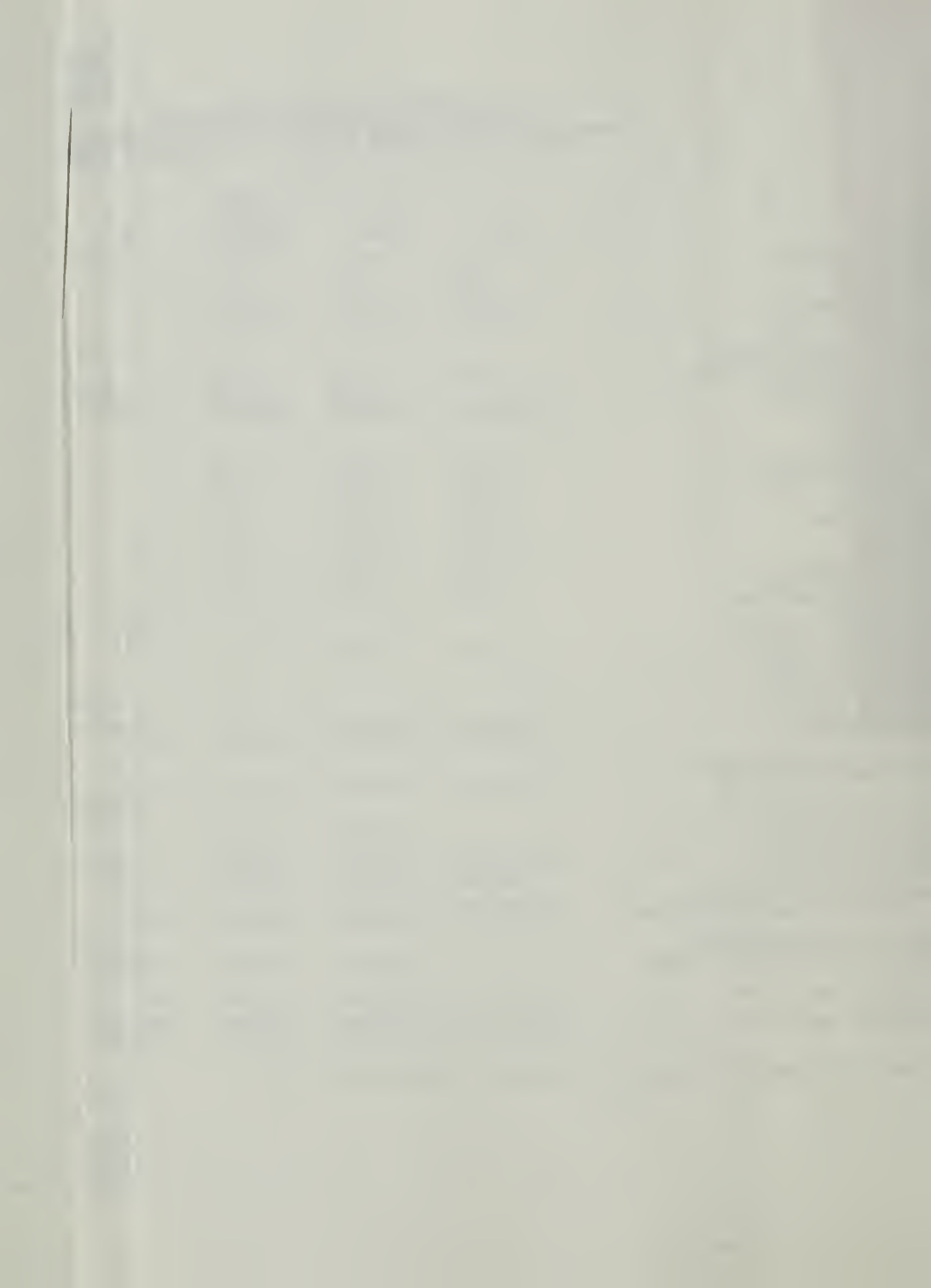




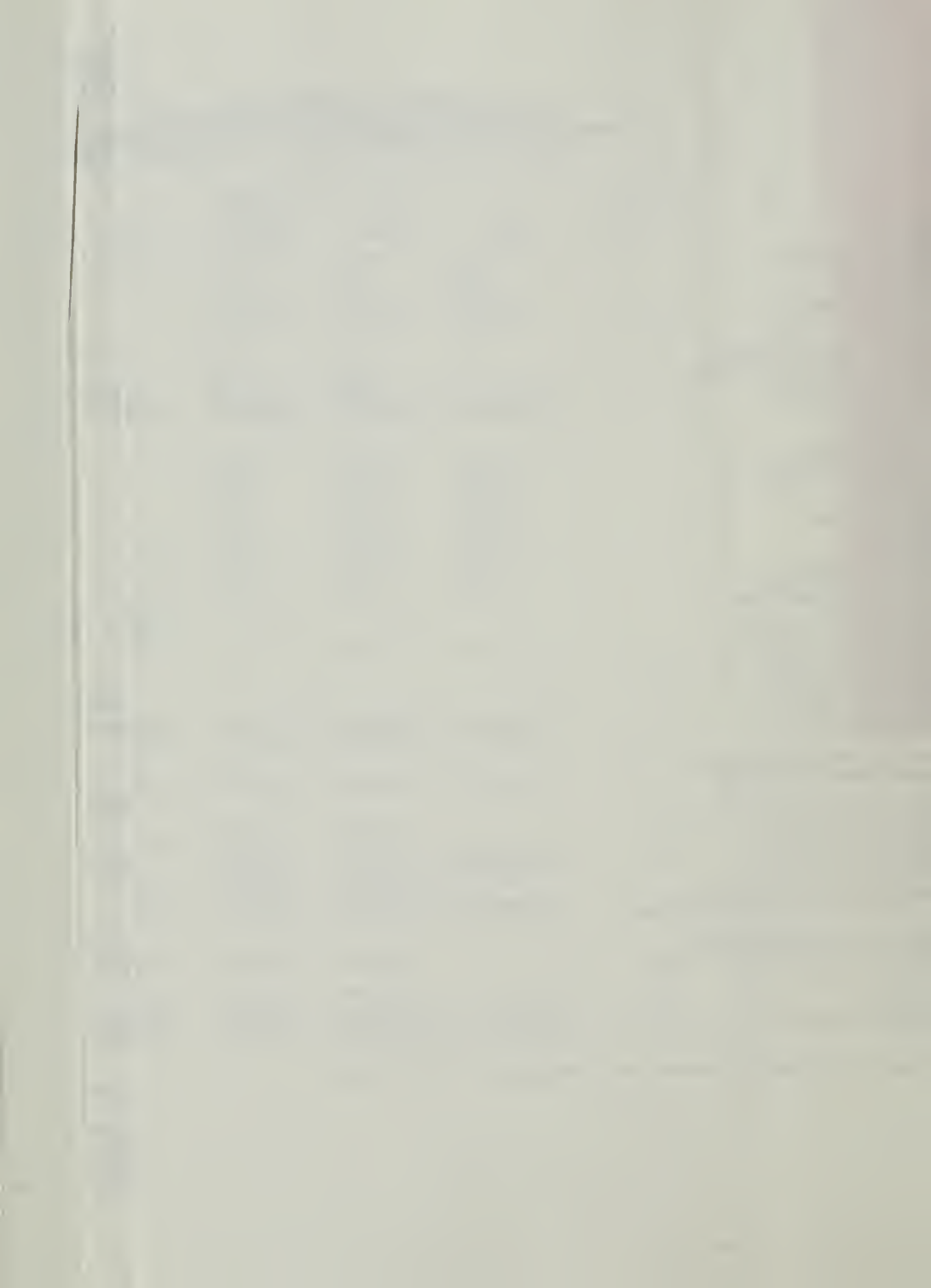
DEPARTMENT OF ADMINISTRATION
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1983 (Budget Basis)

	General Fund			Special Revenue Fund			Debt Service Fund			Capital Projects		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:												
Licenses & Permits	\$ 96,100	\$ 178,675	\$ 82,575	\$1,079,000	\$ 858,585	\$(220,415)						
Taxes	13,400	3,535	(9,865)									
Service Fees	40,000	78,741	38,741							\$ 57,110	\$ 57,110	
Investment Earnings	38,815,000	29,918,421	(8,896,579)				\$ 1,098,736	\$1,098,736		5,540,031	5,540,031	
Fines	835,700	759,811	(75,889)									
Rent							\$ 1,962	196,548	194,586			
Sale of Documents & Property		697	697		9,903	9,903						
Income, Collections & Transfers	20,000	5,342	(14,658)									
Miscellaneous Income		51,126	51,126									
Total Revenues	<u>39,820,200</u>	<u>30,996,348</u>	<u>(8,823,852)</u>	<u>1,079,000</u>	<u>868,488</u>	<u>(210,512)</u>	<u>1,962</u>	<u>1,295,284</u>	<u>1,293,322</u>	<u>5,597,141</u>	<u>5,597,141</u>	
EXPENDITURES:												
Bond & Note Costs	1,388,508	1,374,589	13,919									
Central Administration	260,178	253,610	4,568									
Accounting	924,885	869,137	55,748									
Purchasing	502,685	501,778	907									
Local Government	315,405	311,375	4,030									
Treasury	420,262	416,139	4,123									
Personnel	1,146,153	1,026,645	119,508	3,042	881	2,161						
Passenger Tramway		15,497	15,497									
State Tax Appeal Board	292,646	255,085	37,561									
Workers' Compensation Court				232,026	226,378	5,648						
Building Codes				1,082,997	886,637	196,360						
Architecture & Engineering				453,614	428,898	24,716						
District Court Grants	375,000	375,000	-0-									
Debt Service Principal							3,335,678	3,335,678	-0-			
Debt Service Interest and Fees							5,556,495	5,556,495	-0-			
Capital Outlay										122,810,748	22,474,976	100,335,772
Prior Year Adjustments										(10,070)	10,070	
Total Expenditures	<u>5,641,219</u>	<u>5,398,742</u>	<u>242,477</u>	<u>1,771,679</u>	<u>1,542,794</u>	<u>228,885</u>	<u>8,892,173</u>	<u>8,892,173</u>		<u>122,810,748</u>	<u>22,464,906</u>	<u>100,345,842</u>
EXCESS OF CURRENT REVENUES OVER (UNDER) CURRENT EXPENDITURES	34,178,981	25,597,606	(8,581,375)	(692,679)	(674,306)	18,373	(8,890,211)	(7,596,889)	1,293,322	(122,810,748)	(16,867,765)	105,942,983
OTHER FINANCING SOURCES (USES):												
Prior Year Adjustments		(325,389)	(325,389)		10,283	10,283		(5,641)	(5,641)		9,799	9,799
Operating Transfers In	23,776,000	22,797,971	(978,029)	680,640	655,924	(24,716)	29,255,716	36,136,293	6,880,577	5,383,634	7,888,501	2,504,867
Operating Transfers Out	(63,596,200)	(54,168,119)	9,428,081				(23,795,132)	(28,295,495)	(4,500,363)	(2,302,084)	(2,466,377)	(164,293)
Appropriations (Support)	5,641,219	5,398,742	(242,477)							1,002,100	1,002,100	-0-
Appropriations (Other Entities)										1,557,097	1,557,097	
Total Other Financing Sources Uses	<u>(34,178,981)</u>	<u>(26,296,795)</u>	<u>7,882,186</u>	<u>680,640</u>	<u>666,207</u>	<u>(14,433)</u>	<u>5,460,584</u>	<u>7,835,157</u>	<u>2,374,573</u>	<u>4,083,650</u>	<u>7,991,120</u>	<u>3,907,470</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES)	-0-	(699,189)	(699,189)	(12,039)	(8,099)	3,940	(3,429,627)	238,268	3,667,895	(118,727,098)	(8,876,645)	109,850,453
FUND EQUITY, JULY 1, 1982	-0-	1,133,620	1,133,620	275,425	275,425		9,055,236	9,055,236		39,055,924	39,055,924	
Adjustments					1,353	1,353		58,867	58,867		(13,071)	(13,071)
FUND EQUITY, JUNE 30, 1983	<u>\$ -0-</u>	<u>\$ 434,431</u>	<u>\$ 434,431</u>	<u>\$ 263,386</u>	<u>\$ 268,679</u>	<u>\$ 5,293</u>	<u>\$ 5,625,609</u>	<u>\$ 9,352,371</u>	<u>\$3,726,762</u>	<u>\$(79,671,174)</u>	<u>\$30,166,208</u>	<u>\$109,837,382</u>

The notes to the financial statements are an integral part of this statement.



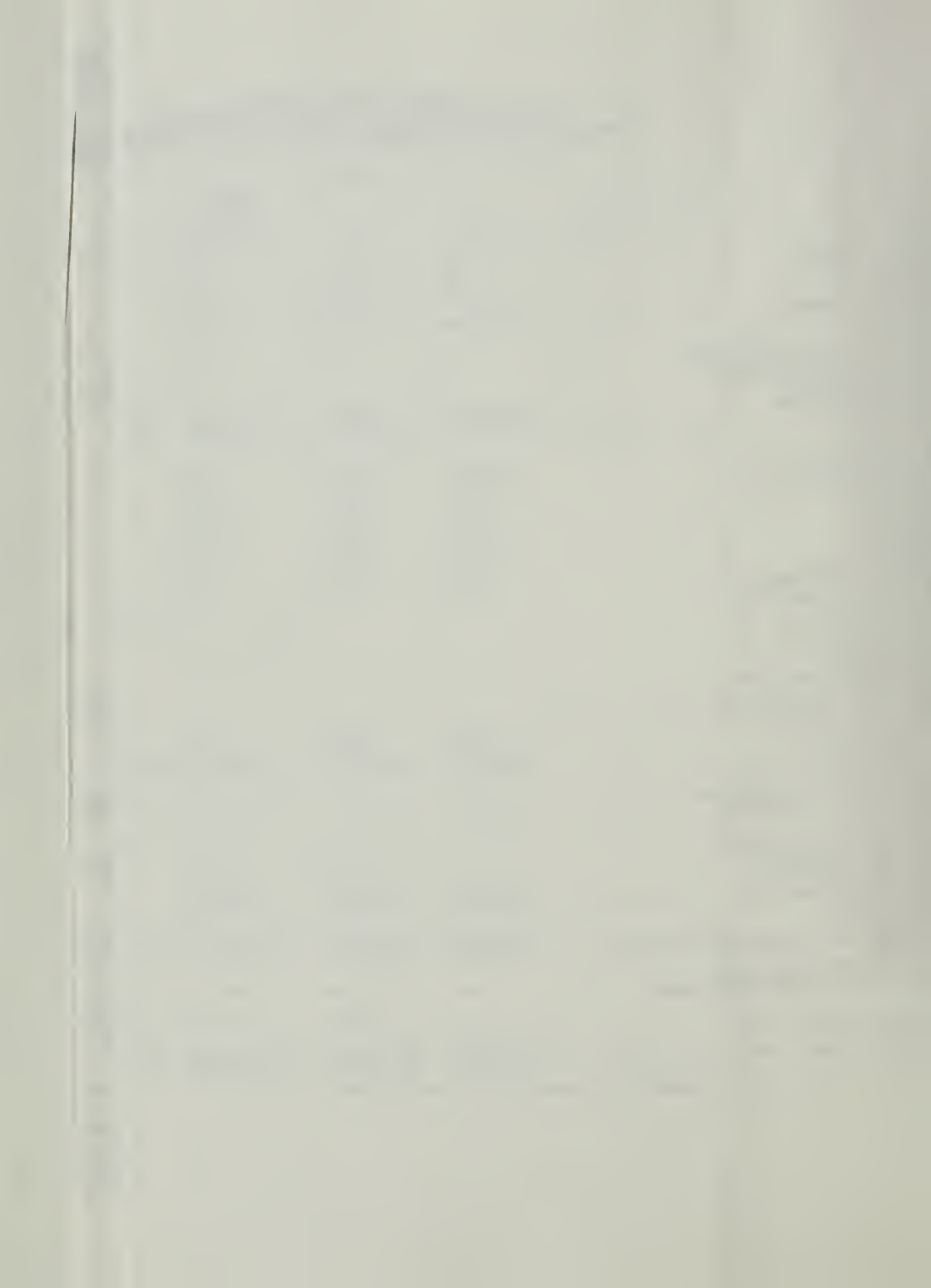
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REVENUES:	
Licenses & Permits	196
Taxes	964
Service Fees	363
Investment Earnings	180
Fines	129
Rent	<u>832</u>
Income, Collections & Transf	
Sale of Documents & Property	
Federal Assistance	
Miscellaneous Income	884
Total Revenues	351
EXPENDITURES:	294
Bond & Note Costs	307
Central Administration	512
Accounting	252
Purchasing	082
Treasury	671
Personnel	757
Passenger Tramway	073
State Tax Appeal Board	784
Workers' Compensation Court	462
Building Codes	392
Disaster & Emergency	191
Telecommunications	048
Capital Outlay	
Architecture & Engineering	
Debt Service Principal	
Debt Service Interest & Fees	
District Court Grants	553
Local Government	<u>613</u>
Total Expenditures	
EXCESS OF CURRENT REVENUES OVER	781)
(UNDER) CURRENT EXPENDITURES	
OTHER FINANCING SOURCES (USES)	
Prior Year Adjustments	054
Operating Transfers In	662)
Operating Transfers Out	187
Appropriations	043)
Bond Proceeds	
Total Other Financing Sources	
EXCESS OF REVENUES OVER (UNDER)	536
EXPENDITURES AND OTHER SOURCES	<u>755</u>
FUND EQUITY, JULY 1, 1981	
Adjustments	
FUND EQUITY, JUNE 30, 1982	771
The notes to the financial statements	<u>215</u>
	<u>741</u>



DEPARTMENT OF ADMINISTRATION
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1982 (Budget Basis)

	General Fund			Special Revenue Fund			Debt Service			Capital Projects		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:												
Licenses & Permits	\$ 157,000	\$ 95,019	\$ (61,981)	\$ 998,650	\$ 788,555	\$(210,095)						
Taxes	50,000	13,426	(36,574)									
Service Fees	40,000	89,764	49,764	272,502	87,486	(185,016)						
Investment Earnings	29,187,575	42,442,555	13,254,980				\$ 210,000	\$ 728,953	\$ 518,953	\$ 71,011	\$ 71,011	
Fines	850,000	835,676	(14,324)							3,350,019	3,350,109	
Rent							196,224	196,527	303			
Income, Collections & Transfers		21,241	21,241									
Sale of Documents & Property					4,003	4,003						
Federal Assistance				95,000	7,099	(87,901)						
Miscellaneous Income		16,188	16,188		36	36	106,599		(106,599)			
Total Revenues	<u>30,284,575</u>	<u>43,513,869</u>	<u>13,229,294</u>	<u>1,366,152</u>	<u>887,179</u>	<u>(478,973)</u>	<u>512,823</u>	<u>925,480</u>	<u>412,657</u>	<u>3,421,030</u>	<u>3,421,120</u>	
EXPENDITURES:												
Bond & Note Costs	3,853,680	3,826,089	27,591									
Central Administration	240,549	224,552	15,997							77,460	(77,460)	
Accounting	874,095	805,713	68,382									
Purchasing	523,120	503,304	19,816									
Treasury	340,309	310,928	29,381									
Personnel	1,097,591	994,379	103,212	149,755	144,150	5,605						
Passenger Tramway	14,561	10,681	3,880									
State Tax Appeal Board	267,031	255,960	11,071									
Workers' Compensation Court				244,525	244,466	59						
Building Codes				998,650	873,064	125,586						
Disaster & Emergency												
Telecommunications				23,000	22,590	410						
Capital Outlay										86,795,441	20,803,343	65,992,098
Architecture & Engineering				432,337	376,159	56,178						
Debt Service Principal							3,291,332	3,291,332	-0-			
Debt Service Interest & Fees							4,568,358	4,568,358	-0-			
District Court Grants	375,000	375,000	-0-									
Local Government	288,414	272,122	16,292									
Total Expenditures	<u>7,874,350</u>	<u>7,578,728</u>	<u>295,622</u>	<u>1,848,267</u>	<u>1,660,429</u>	<u>187,838</u>	<u>7,859,690</u>	<u>7,859,690</u>		<u>86,795,441</u>	<u>20,880,803</u>	<u>65,914,638</u>
EXCESS OF CURRENT REVENUES OVER (UNDER) CURRENT EXPENDITURES	22,410,225	35,935,141	13,524,916	(482,115)	(773,250)	(291,135)	(7,346,867)	(6,934,210)	412,657	(86,795,441)	(17,459,773)	69,335,668
OTHER FINANCING SOURCES (USES):												
Prior Year Adjustments		32,349	32,349		(3,980)	(3,980)						
Operating Transfers In	19,111,175	20,450,000	1,338,825	642,413	688,999	46,586	29,360,030	41,079,138	11,719,108	3,340,800	7,222,950	3,882,150
Operating Transfers Out	(49,395,750)	(63,398,844)	(14,003,094)				(19,130,327)	(31,255,975)	(12,125,648)	(2,016,918)	(2,408,211)	(391,293)
Appropriations	7,874,350	7,578,728	(295,622)								568,885	568,885
Bond Proceeds										36,550,000	36,550,000	-0-
Total Other Financing Sources (Uses)	<u>(22,410,225)</u>	<u>(35,337,767)</u>	<u>(12,927,542)</u>	<u>642,413</u>	<u>685,019</u>	<u>42,606</u>	<u>10,229,703</u>	<u>9,823,163</u>	<u>(406,540)</u>	<u>37,873,882</u>	<u>41,961,967</u>	<u>4,088,085</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES)	-0-	597,374	597,374	160,298	(88,231)	(248,529)	2,882,836	2,888,953	6,117	(48,921,559)	24,502,194	73,423,753
FUND EQUITY, JULY 1, 1981	-0-	536,246	536,246	367,062	367,062	-0-	6,209,102	6,209,102	-0-	14,572,296	14,572,296	-0-
Adjustments					(3,406)	(3,406)		(42,819)	(42,819)		(18,566)	(18,566)
FUND EQUITY, JUNE 30, 1982	<u>\$ -0-</u>	<u>\$ 1,133,620</u>	<u>\$ 1,133,620</u>	<u>\$ 527,360</u>	<u>\$ 275,425</u>	<u>\$(251,935)</u>	<u>\$ 9,091,938</u>	<u>\$ 9,055,236</u>	<u>\$ 36,702</u>	<u>\$(34,349,263)</u>	<u>\$39,055,924</u>	<u>\$ 73,405,187</u>

The notes to the financial statements are an integral part of this statement.



DEPARTMENT OF ADMINISTRATION
COMBINED STATEMENT OF REVENUE, EXPENSES,
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1983

	Enterprise	Internal Service	TOTAL (Memorandum Only)
OPERATING REVENUES:			
Investment Income	\$ 670,735	\$ 959,461	\$ 1,630,196
Reimbursements		1,027,964	1,027,964
Service Fees	689,438	14,436,925	15,126,363
Sales of Documents		180	180
Premiums	13,951,113	1,772,016	15,723,129
Total Operating Revenues	<u>15,311,286</u>	<u>18,196,546</u>	<u>33,507,832</u>
OPERATING EXPENSES:			
Salaries & Benefits	736,045	5,506,839	6,242,884
Contracted Services	107,848	2,142,503	2,250,351
Supplies & Materials	17,573	408,721	426,294
Communications	22,420	3,671,887	3,694,307
Travel	71,354	53,158	124,512
Rent	63,011	738,241	801,252
Utilities	204	700,878	701,082
Repair & Maintenance	6,178	627,493	633,671
Other Expenses	4,897	47,860	52,757
Equipment Expenses	1,172	8,901	10,073
Prior Year Adjustments	30,127	921,657	951,784
Depreciation	5,451	915,011	920,462
Goods Purchased for Resale	13,432	1,567,960	1,581,392
Interest		308,191	308,191
Benefits & Claims	12,443,577	2,504,471	14,948,048
Loss - Sale of Non-General Fixed Asset		4,553	4,553
Total Operating Expenses	<u>13,523,289</u>	<u>20,128,324</u>	<u>33,651,613</u>
Operating Income	<u>1,787,997</u>	<u>(1,931,778)</u>	<u>(143,781)</u>
NON-OPERATING REVENUES (EXPENSES):			
Appropriations	193,669	1,223,385	1,417,054
Extraordinary Items	(57,662)		(57,662)
Operating Transfers In (Note 11)		3,626,187	3,626,187
Operating Transfers Out (Note 11)		(2,908,043)	(2,908,043)
Total Non-Operating Revenues (Expenses)	<u>136,007</u>	<u>1,941,529</u>	<u>2,077,536</u>
Net Income (Loss) 1983	<u>1,924,004</u>	<u>9,751</u>	<u>1,933,755</u>
RETAINED EARNINGS/FUND BALANCE			
JULY 1, 1982	5,584,990	13,297,781	18,882,771
Adjustment for Restatement	<u>14,324</u>	<u>363,891</u>	<u>378,215</u>
RETAINED EARNINGS/FUND BALANCE			
JUNE 30, 1983	<u>\$ 7,523,318</u>	<u>\$13,671,423</u>	<u>\$21,194,741</u>

The notes to the financial statements are an integral part of this statement.

DEPARTMENT OF ADMINISTRATION
COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1982

	Enterprise	Internal Service	TOTAL (Memorandum Only)
OPERATING REVENUES:			
Service Fees	\$ 858,742	\$12,832,354	\$13,691,096
Investment Income	402,565	1,106,363	1,508,928
Reimbursements		28,595	28,595
Sale of Documents		410	410
Premiums	<u>13,039,001</u>	<u>2,444,952</u>	<u>15,483,953</u>
Total Operating Revenues	<u>14,300,308</u>	<u>16,412,674</u>	<u>30,712,982</u>
OPERATING EXPENSES:			
Salaries & Benefits	713,884	4,888,933	5,602,817
Contracted Services	77,241	1,731,485	1,808,726
Supplies & Materials	34,479	342,036	376,515
Communications	22,087	3,472,759	3,494,846
Travel	73,726	43,342	117,068
Rent	35,040	734,713	769,753
Utilities	264	585,599	585,863
Repair & Maintenance	8,395	531,761	540,156
Other Expenses	2,820	61,339	64,159
Equipment Expenses		71,973	71,973
Prior Year Adjustments	447	1,277,867	1,278,314
Depreciation		1,042,927	1,042,927
Goods Purchased for Resale	8,897	1,332,796	1,341,693
Interest		223,284	223,284
Loss - Sale of Non-General Fixed Asset		108,793	108,793
Benefits & Claims	<u>10,021,230</u>	<u>579,771</u>	<u>10,601,001</u>
Total Operating Expenses	<u>10,998,510</u>	<u>17,029,378</u>	<u>28,027,888</u>
Operating Income	<u>3,301,798</u>	<u>(616,704)</u>	<u>2,685,094</u>
NON-OPERATING REVENUES (EXPENSES):			
Appropriations	335,962	1,206,933	1,542,895
Operating Transfers In (Note II)		1,457,486	1,457,486
Operating Transfers Out (Note II)		(751,038)	(751,038)
Total Non-Operating Revenues (Expenses)	<u>335,962</u>	<u>1,913,381</u>	<u>2,249,343</u>
Net Income (Loss) 1982	<u>3,637,760</u>	<u>1,296,677</u>	<u>4,934,437</u>
RETAINED EARNINGS/FUND BALANCE			
JULY 1, 1981	104,686	3,338,231	3,442,917
Adjustments for Restatement	<u>1,842,544</u>	<u>8,662,873</u>	<u>10,505,417</u>
RETAINED EARNINGS/FUND BALANCE			
JUNF 30, 1982	<u>\$ 5,584,990</u>	<u>\$13,297,781</u>	<u>\$18,882,771</u>

The notes to the financial statements are an integral part of this statement.

DEPARTMENT OF ADMINISTRATION
COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1983

	Enterprise	Internal Service	TOTAL (Memorandum Only)
Sources of Working Capital:			
Net Income 1983	\$1,924,004	\$ 9,751	\$ 1,933,755
Add Items Not Requiring an Outlay of Capital:			
Depreciation 1983	5,451	915,011	920,462
Loss - Sales of Assets 1983		4,553	4,553
Adjustment for Restatement	14,324	363,891	378,215
Total	<u>1,943,779</u>	<u>1,293,206</u>	<u>3,236,985</u>
Uses of Working Capital:			
Purchase of Property and Equipment	(46,222)	(6,351,165)	(6,397,387)
Adjustment to Fund Balance	8,080	4,999,188	5,007,268
Total	<u>(38,142)</u>	<u>(1,351,977)</u>	<u>(1,390,119)</u>
	<u>\$1,905,637</u>	<u>\$ (58,771)</u>	<u>\$ 1,846,866</u>
Elements of Net Increase (Decrease) in Working Capital:			
Cash	\$ (49,747)	\$ 264,022	\$ 214,275
Investments (Note 1G)	1,938,054	(590,664)	1,347,390
Accrued & Interest Receivable	1,229	(18,264)	(17,035)
Accounts Receivable	76,693	266,429	343,122
Inventory (Notes 1D)		(55,029)	(55,029)
Dishonored Checks	929	611	1,540
Expense Advances	(7,300)	(705)	(8,005)
Inter-entity Loan Receivable		(105,744)	(105,744)
Other Advances		(11,282)	(11,282)
Accounts Payable	(7,177)	(272,127)	(279,304)
Accrued Liabilities	(47,044)	2,078	(44,966)
Inter-entity Loan Payable		408,744	408,744
Receipts Collected in Advance		53,160	53,160
Total	<u>\$1,905,637</u>	<u>\$ (58,771)</u>	<u>\$ 1,846,866</u>

The notes to the financial statements are an integral part of this statement.

DEPARTMENT OF ADMINISTRATION
COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1982

	<u>Enterprise</u>	<u>Internal Service</u>	<u>TOTAL</u> <u>(Memorandum Only)</u>
Sources of Working Capital:			
Net Income 1982	\$ 3,637,760	\$ 1,296,677	\$ 4,934,437
Add Items Not Requiring an Outlay of Capital:			
Depreciation 1982		1,042,927	1,042,927
Loss - Sales of Assets 1982		108,793	108,793
Adjustment for Restatement	1,842,544	8,662,873	10,505,417
Total	<u>5,480,304</u>	<u>11,111,270</u>	<u>16,591,574</u>
Uses of Working Capital:			
Purchase of Property and Equipment		(5,715,194)	(5,715,194)
Adjustment to Fund Balance	(1,732,394)	(3,861,666)	(5,594,060)
Total	<u>(1,732,394)</u>	<u>(9,576,860)</u>	<u>(11,309,254)</u>
	<u>\$ 3,747,910</u>	<u>\$ 1,534,410</u>	<u>\$ 5,282,320</u>
Elements of Net Increase (Decrease) in Working Capital:			
Cash	\$ (113,038)	\$ 980,885	\$ 867,847
Investments (Note 1C)	3,652,403	1,128,801	4,781,204
Accrued Interest Receivable	57,780	100,054	157,834
Accounts Receivable	571,126	(396,618)	174,508
Inventory (Note 1D)		92,425	92,425
Dishonored Checks	(29)	(859)	(888)
Expense Advances	6,700	(534)	6,166
Inter-entity Loan Receivable		(47,915)	(47,915)
Other Advances		9,463	9,463
Accounts Payable	(25,016)	(13,818)	(38,834)
Accrued Liabilities	(402,016)	(10,652)	(412,668)
Inter-entity Loan Payable		(318,744)	(318,744)
Receipts Collected in Advance		11,922	11,922
Total	<u>\$ 3,747,910</u>	<u>\$ 1,534,410</u>	<u>\$ 5,282,320</u>

The notes to the financial statements are an integral part of this statement.

DEPARTMENT OF ADMINISTRATION
Notes to Financial Statements
June 30, 1983

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preceding financial statements were prepared from the Statewide Budgeting and Accounting System and include financial activity of the Department of Administration and auxiliary agencies attached to the Department for administrative purposes. Those auxiliary agencies are: Merit System, State Tax Appeals Board, Long-Range Building Program, Board of Investments, and Workers' Compensation Court. Financial activity of Public Employees' Retirement Division, Teachers' Retirement Division, investment transactions of the Board of Investments, and transfers of gas tax to local governments are not included in the financial statements as they are reported in other state agency financial reports.

A. BASIS OF PRESENTATION

The accounts of the state of Montana are, by statute, organized into a fund structure listed in Section 17-2-102 (Temporary) MCA, and for fiscal years 1982 and 1983 accounting transactions for the Department were recorded on the basis of that structure. However, the financial statement presentation is made on the basis of Section 17-2-102 (Effective July 1, 1983) of the Codes.

The Department's combined balance sheet and combined statement of revenue, expenditures and changes in fund equity are presented in accordance with generally accepted accounting principles as prescribed by the National Council on Governmental Accounting and the American Institute of Certified Public Accountants.

The following describes the fund groups utilized by the Department:

Governmental Funds

General Fund--To account for all governmental financial resources except those required to be accounted for in another fund.

Special Revenue Funds--To account for the proceeds of specific revenue sources restricted to expenditure for specified purposes (other than expendable trusts or major capital projects).

Debt Service Funds--To account for resources accumulated for payment of general long-term debt principal and interest.

Capital Project Funds--To account for resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

Proprietary Funds

Enterprise Funds--To account for operations (a) financed and operated similar to private business enterprises, where the intent of the Legislature is that costs are to be financed or

recovered primarily through user charges, or (b) where the legislature has decided that periodic determination of revenue earned, expenses incurred, or net income is appropriate.

Internal Service Funds--To account for the financing of goods and services provided by one department or agency to other departments or agencies or to other governmental entities on a cost-reimbursement basis.

Fiduciary Funds

Trust and Agency Funds--To account for assets held by the Department in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. These include: (a) expendable trust funds, (b) nonexpendable trust funds, (c) pension trust funds, and (d) agency funds.

Account Groups

General Fixed Assets Account Group--To account for all fixed assets of the Department, except those accounted for in the proprietary, nonexpendable and pension trust funds.

General Long-Term Debt Account Group--To account for all long-term obligations of the Department, except those accounted for in proprietary, nonexpendable and pension trust funds.

B. BASIS OF ACCOUNTING

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds and Expendable Trust Funds are accounted for on a spending or "financial flow measurement focus". This means that only current assets and current liabilities are generally included on their balance sheets. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary Funds are accounted for on a cost of services or "capital maintenance measurement focus". This means that all assets and all liabilities associated with this activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed in the governmental funds. In applying the modified accrual basis, revenues are recorded when they are received in cash, unless susceptible to accrual. Revenues susceptible to accrual are recorded as a receivable when they are measurable and available to pay current period liabilities.

Under the modified accrual basis of accounting, expenditures are recognized when the related liability is incurred with the following exceptions, which are in accordance with generally accepted accounting principles:

- 1) principal and interest on long-term debt is reported when due
- 2) obligations for employees' vested annual leave and sick leave are reported as expenditures when paid
- 3) prepayments are accounted for as expenditures in the period of acquisition
- 4) inventory items are considered expenditures when purchased.

Proprietary funds utilize the accrual method of accounting under which revenues are recognized in the accounting period when earned and expenses recognized in the period incurred.

C. BUDGETARY BASIS VS GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The accompanying combined statement of revenues, expenditures, and changes in fund balance - Budget and Actual (budget basis) presents comparisons of legally adopted budgets with actual transactions in accordance with the state's accounting and budgeting systems. A summary of the department's adjustments and reclassifications of revenues and expenditures between generally accepted accounting principles and budgetary data is as follows:

<u>GENERAL FUND</u>	<u>FISCAL 1983</u>	<u>FISCAL 1982</u>
Encumbrances	\$ 101,469	\$ 106,809
Investment Income		
Accrual	(1,439,737)	214,300
Transfers Out	(36,050)	(107,491)
Appropriations Used	(101,469)	(106,809)
Increase (decrease) in Excess		
Revenues over Expenditures	<u>\$ (1,475,787)</u>	<u>\$ 106,809</u>
 <u>SPECIAL REVENUE FUND</u>		
Encumbrances	\$ 97,138	\$ 98,582
Increase (decrease) in Excess		
Revenues over Expenditures	<u>\$ 97,138</u>	<u>\$ 98,582</u>
 <u>DEBT SERVICE FUND</u>		
Investment Income		
Accrual	\$ 34,834	\$ 108,982
Transfers In		171,142
Increase (decrease) in Excess		
Revenues over Expenditures	<u>\$ 34,834</u>	<u>\$ 280,124</u>
 <u>CAPITAL PROJECTS FUNDS</u>		
Capital Projects Expenditures		
included in other agency		
Financial Reports	\$ 4,689,025	\$ 3,619,265
Investment Income Accrual	(488,040)	1,431,962
Transfers In	564,392	(3,050,381)
Appropriations	(1,557,097)	(568,885)
Prior Year Adjustments	8,131	
Increase (decrease) in Excess		
Revenues over Expenditures	<u>\$ 3,216,411</u>	<u>\$ 1,431,961</u>

D. INVENTORY

The department maintains three inventory cost centers to properly reflect operations for Central Stores, Publications & Graphics, and Computer Services. Central Stores and Computer Services inventory of office and paper supplies of \$221,643 and \$46,858 respectively (at June 30, 1983) is valued at historical cost using the first in first out method. Publications & Graphics' forms inventory of \$43,841 at June 30, 1982 is valued at lower of cost or market. In fiscal year 1983, the forms inventory for Publications & Graphics was transferred to Central Stores. All other inventorial items in other funds are expensed on an as purchased basis.

E. INTERENTITY LOANS

Interentity loans are noninterest bearing and recorded as a payable by a receiving entity and a receivable by the advancing entity.

F. COMPENSATED ABSENCES

Accumulated unpaid liabilities for vacation and sick leave are not reflected in the financial statements of the Department of Administration. The policy of the state of Montana is upon termination employees are paid for one hundred percent of unused vacation credits and twenty-five percent unused sick leave credits. The department's unfunded liability for such employee benefits on July 8, 1983 was \$614,399 for vacation credits and \$265,480 for sick leave credits. Expenditures for termination pay currently are absorbed in annual operational costs of the department.

G. INVESTMENTS

Investments are stated at par in the debt service and a corresponding liability for unamortized discounts is separately reflected. The combination of these items would result in a book value presentation of U.S. government securities. The remaining investments consist of U.S. government securities and short-term investment pool holdings which are stated at historical cost.

The following is a listing of investments by fund group:

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	1983		1982	
	Stated Value	Market Value	Stated Value	Market Value
	Cost or Book Value		Cost or Book Value	
<u>Debt Service Fund</u>				
U.S. Gov't. Obligations	\$6,718,311.00	\$6,773,092.00	\$5,728,548.00	\$5,674,694.00
U.S. Gov't. Agencies	<u>2,690,597.00</u>	<u>2,800,610.00</u>	<u>3,186,789.00</u>	<u>3,054,020.00</u>
	\$9,408,908.00	\$9,573,702.00	\$8,915,337.00	\$8,728,714.00
Bond Discount	<u>10,137.00</u>		<u>13,212.00</u>	
Par Value at June 30	<u>\$9,419,045.00</u>	<u>\$9,573,702.00</u>	<u>\$8,928,549.00</u>	<u>\$8,728,714.00</u>
<u>Capital Projects Fund</u>				
U.S. Gov't. Obligations	\$15,606,368.00	\$16,269,490.00	\$14,228,618.00	\$14,876,830.00
U.S. Gov't. Agencies	<u>1,998,999.00</u>	<u>2,108,440.00</u>	<u>6,926,250.00</u>	<u>7,006,550.00</u>
	\$17,605,367.00	\$18,377,930.00	\$21,154,868.00	\$21,883,380.00
Bond Discount	<u>4,263.00</u>		<u>1,867.00</u>	
Par Value at June 30	\$17,609,630.00	\$18,377,930.00	\$21,156,735.00	\$21,883,380.00
Short Term Investment Pool				
(Units at Cost: 13,132 in '83				
and 19,806 in '82)	\$12,233,313.00	\$12,659,117.00	\$18,707,022.00	\$18,035,938.00
	<u>\$29,842,943.00</u>	<u>\$31,037,047.00</u>	<u>\$39,863,757.00</u>	<u>\$39,919,318.00</u>
<u>Internal Service Fund</u>				
U.S. Treasury Bills				
Short Term Investment Pool	\$297,243.00	\$312,813.00	-----	-----
(Units at cost: 8,310 in '83				
and 9,236 in '82)	\$8,105,660.00	\$8,010,757.00	\$8,993,567.00	\$8,410,579.00
	<u>\$8,402,903.00</u>	<u>\$8,323,570.00</u>	<u>\$8,993,567.00</u>	<u>\$8,410,579.00</u>
<u>Enterprise Fund</u>				
Short Term Investment Pool				
(Units at cost: 7,601 in '83				
and 5,574 in '82)	\$6,993,726.00	\$7,327,288.00	\$5,055,672.00	\$5,001,180.00
	<u>\$6,993,726.00</u>	<u>\$7,327,288.00</u>	<u>\$5,055,672.00</u>	<u>\$5,001,180.00</u>
TOTAL	<u>\$54,658,617.00</u>	<u>\$56,261,607.00</u>	<u>\$62,841,545.00</u>	<u>\$62,059,791.00</u>

H. OPERATING TRANSFERS

The Department classifies as operating transfers those revenues and expenditures that are part of another operating unit or for which the Department only reflects a portion of the total operation unit.

The following transactions are reflected as operating transfers in:

	1983	1982
Debt Service Excess	\$22,797,971.00	\$20,450,000.00
Workers' Compensation Court	227,076.00	244,525.00
Architecture & Engineering	428,898.00	430,000.00
Energy Grant Allocation from Natural Resources	-	14,474.00
Rents and Royalties for State Lands	887,932.00	1,139,647.00
Tax receipts from Department of Revenue	31,477,941.00	32,251,032.00
Debt Service from other Sources	7,569,552.00	12,032,170.00
General Fund	1,002,100.00	-
TOTAL GOVERNMENTAL FUND TYPE	\$64,391,420.00	\$66,561,848.00
Board of Investments	\$ 677,548.00	629,412.00
State Insurance	2,900,000.00	750,000.00
Rent and Maintenance-Capitol Land Grant Fund	48,639.00	44,147.00
Sale of Equipment		1,320.00
Insurance Proceeds		32,607.00
TOTAL PROPRIETARY FUND TYPE	\$ 3,626,187.00	\$ 1,457,486.00

The following transactions are reflected as transfers out:

	1983	1982
Transfers to Combined General Fund (1)	\$54,204,169.00	\$63,506,335.00
Long Range Bond Excess	22,797,971.00	20,450,000.00
Debt Service for Other Funds	5,493,395.00	8,576,979.00
Social and Rehabilitation Services		
Building - Maintenance	4,129.00	46,996.00
Renewable Resources	-	2,182,000.00
Debt Service Transfer	1,035,379.00	1,978,211.00
Architecture & Engineering	428,898.00	430,000.00
General Fund (Capital Projects Transfer)	1,002,100.00	-
TOTAL GOVERNMENTAL FUNDS	\$84,966,041.00	\$97,170,521.00
State Insurance	\$ 2,900,000.00	\$ 750,000.00
Building Remodeling	8,043.00	1,038.00
TOTAL PROPRIETARY FUNDS	\$ 2,908,043.00	\$ 751,038.00

(1) Amount recognized as an adjustment to recorded transactions to reflect resources belonging to other accounts within the state of Montana fund structure.

I. TOTAL COLUMN

For presentation purposes, the department has included a total column entitled "memorandum only." The amounts merely represent an aggregation of fund types and do not purport to present consolidated financial position.

J. FIXED ASSETS AND DEPRECIATION

The Department's general fixed assets are stated at cost and not depreciated in the general fixed asset account group.

Proprietary fixed assets are accounted for in their respective entities. Depreciation is reflected by use of the straight line method based on equipment asset lives of 3 to 30 years and building improvement asset lives of 15 to 20 years.

K. RECLASSIFICATIONS

Subsequent to its fiscal 1981 and 1982 financial report in accordance with state accounting policy, the Department has reclassified several of its accounts to different fund groups. The following is a synopsis of the changes:

A. Insurance and Legal

- From Expendable Trust Fund
- To Internal Service Fund

Transferred Amounts at July 1, 1981:

Assets	8,401,849
Liabilities	184,916
Retained Earnings	8,216,933

B. Group Benefits

- From Expendable Trust Fund
- To Enterprise Funds

Transferred amounts at July 1, 1981:

Assets	1,738,972
Liabilities	13,370
Retained Earnings	1,725,602

C. Architecture and Engineering Administration Account

- From Capital Project
- To Special Revenue

Transferred amounts at July 1, 1981:

Assets	45,651
Liabilities	17,106
Fund Balance	28,545

2. DEPARTMENTAL OPERATIONAL CHANGES

A Forty-Seventh Legislative Assembly in both regular and special sessions dictated several operational changes for the Department of Administration. On July 1, 1981, the Local Government Services Division and Research and Information Division of the old Department of Community Affairs were transferred to the Department of Administration. Board of Housing (formerly of the Department of Administration) was transferred to the new Department of Commerce. During the special legislative assembly in November, 1981, the Merit System operation was disbanded, and only the three member Merit System Council survived. This reduction in force required a change from an internal service function to a special revenue fund.

Several internal reorganizations have changed the complexion of the department's operations. Effective July 1, 1982, the Information Systems Division, Research and Information Division, and Records Management Bureaus were merged with the Computer Services Division. As a part of the combinations, Consulting Services Bureau was spun-off from the combined unit together with a Census and Economic Information Unit and attached to the Director's Office. Other reorganizations include a combination of the department's personnel and internal accounting functions with the treasury function and transferral of the surplus property bureau to the Purchasing Division from General Services Division.

The Forty-Eighth Legislative Assembly transferred Local Government Services Division and the Census and Economic Information Unit to Department of Commerce, effective July 1, 1983. Internal reorganizations resulted in the closing of the Consulting Services Bureau. One position from this bureau was transferred to the Director's Office. These changes were effective on July 1, 1983.

3. RETIREMENT PLAN

All employees of the department are participants in the Public Employees' Retirement System, a contributory plan whereby the state contributes 6.32 percent of employee gross wages for retirement and the employee contributes six percent of their gross wage. Costs incurred by the department under this plan approximated \$515,044 in 1983 and \$436,977 in 1982. Effective July 1, 1983, the employer contribution rate was increased from 6.32% to 6.417%.

The state's policy is to fund accrued pension costs. A determination concerning the actuarial soundness of the fund together with unfunded past service costs and actuarially computed value of vested benefits is disclosed for all plan participants in the state of Montana financial statement.

The state of Montana is also a nominee in the deferred compensation program. This plan allows employees to defer income taxes on a portion of their compensation in accordance with state and federal regulations, until a distribution is actually received by the employee. All amounts of compensation deferred under this plan remain the property of the state and participants become general creditors of the state. Under the terms of the plan, the state is not financially liable for investment losses incurred by the plan. Assets in the plan were \$16,039,884 at June 30, 1983 and \$11,509,599 at June 30, 1982.

4. OTHER FINANCIAL ACTIVITY

The department's financial statements do not reflect the state's consolidated general fund cash of \$40,841,426 in FY 1982 and \$64,720,808 in FY 1983 because the assets represent resources of other operating entities.

Also not reflected in the department's financial transactions are amounts for the general warrant clearing account. The account represents moneys transferred from state agencies for which warrants have not been written or have been canceled. A financial summary of the account for the two fiscal years is as follows:

<u>Assets</u>	<u>1982</u>	<u>1983</u>
Cash	\$ 2,664,238	\$ 2,064,723
Accounts Receivable Cut Off	<u>32,863,159</u>	<u>28,835,667</u>
	<u>\$35,527,397</u>	<u>\$30,900,390</u>
 <u>Liabilities</u>		
Accounts Payable-Due to Cut Off	-	\$ 326,401
Accountability for Advance	\$35,527,247	30,573,989
Accountability for Cancelled Warrants	<u>150</u>	<u>-</u>
Total	<u>\$35,527,397</u>	<u>\$30,900,390</u>

5. TAX ANTICIPATION NOTES

The department was authorized to issue tax anticipation notes not to exceed \$50,000,000. These notes become due prior to the fiscal year end in which they are issued. The state of Montana has issued such notes in each of the past three fiscal years and for fiscal year 1983.

<u>Date of Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Date of Redemption</u>
September, 1979	\$40,000,000	6.25	June 24, 1980
September, 1980	\$45,000,000	6.25	June 29, 1981
September, 1981	\$45,000,000	10.12	June 29, 1982
December, 1982	\$47,000,000	5.26	June 29, 1983

6. GENERAL LONG-TERM DEBT

General long-term debt reflected in the department's financial statements at June 30, 1982 and 1983, is comprised of the following individual issues:

General Obligation Bonds:

Series I \$8,640,000 September, 1965 due in September, 1995, outstanding at June 30, 1982 \$4,435,000 and at June 30, 1983 \$4,145,000. Interest is at rates varying between 1% and 3.5% and annual principal payments range from \$60,000 to \$465,000. Early redemption has occurred on some bonds maturing in 1985 and 1991.

Series II \$11,050,000 September, 1967 due in September, 1997, outstanding at June 30, 1982 \$6,845,000 and at June 30, 1983 \$6,515,000. Interest is at rates varying from .10% to 4.05% and annual principal payments range from \$25,000 to \$650,000. Early redemption has occurred on some bonds maturing in 1988 and 1997.

Series 1980, \$19,130,000, March, 1980, due in May, 2010, outstanding at June 30, 1982 \$18,715,000 and at June 30, 1983 \$18,485,000. Interest is at rates varying from 6½% to 8½% and annual principal payments range from \$215,000 to \$1,440,000.

Two units of the University System participated in this issue and contributed their share to reserve requirements. Montana State University's share was \$6,500,000; while Eastern Montana College's share was \$1,500,000. Each institution is to contribute their share of annual principal and interest payments less any investment earnings on reserves.

Employment Security Division also contributes \$110,000 per year to retire a portion of this bond issue.

Series 1981, \$36,550,000 September, 1981, due in May, 1996 outstanding at June 30, 1982 \$34,115,000 and \$31,680,000 at June 30, 1983. Interest is at rates varying from 9% to 12%. Other participants in the issue are the Capitol Land Grant Fund (\$5,000,000); Workers' Compensation Division (\$4,000,000); Employment Security Division \$400,000 (reduced from original allocation of \$1,000,000). Total annual principal payments range from \$2,435,000 to \$2,440,000.

Long-term mortgage Social and Rehabilitation Services Building, \$1,640,000, outstanding June 30, 1982, \$1,427,228 and \$1,376,550

at June 30, 1983. Original loan dated November, 1976 and due November, 1996 with interest calculated at 9% per annum. The mortgage is presently being retired by rental assessments paid by the Department of Social and Rehabilitation Services to General Services Division of the Department of Administration. Payments on the loan are \$14,756 monthly.

Other bond issues not reflected in general long-term debt group:

Montana College of Mineral Science and Technology, \$2,275,000, dated May 1, 1978. This issue is maintained on the college's financial records and repaid from revenues generated from the physical education complex. While the annual payments and reserve requirements are accounted for by the college, the final security for these bonds is the same as any general obligation bond of the state.

Highway complex building bonds are secured by gas tax revenues and are a responsibility of that department. However, investment earnings and transfers appear in debt service fund in the Department of Administration's financial records.

Security for General Obligation Bonds:

Bonds are secured by eleven percent of all individual income tax and corporate license tax (except 80% of corporate license tax received from banks and savings and loan associations); seventy-three percent of all money received for the 12¢ per pack excise tax on cigarettes, and all money received from taxes imposed, currently or in the future, on other tobacco products.

Changes in Long Term Debt:

	Outstanding <u>6/30/81</u>	Issue	(Retirement)	Outstanding <u>6/30/82</u>
Series I	\$ 4,715,000.00	\$	\$(280,000.00)	\$ 4,435,000.00
Series II	7,160,000.00		(315,000.00)	6,845,000.00
Series 1980	18,930,000.00		(215,000.00)	18,715,000.00
Series 1981	<u>-</u>	<u>36,550,000.00</u>	<u>(2,435,000.00)</u>	<u>34,115,000.00</u>
	<u>\$30,805,000.00</u>	<u>\$36,550,000.00</u>	<u>\$(3,245,000.00)</u>	<u>\$64,110,000.00</u>

The annual requirements to amortize all bonded debt outstanding on the department's financial records at June 30, 1982 is \$118,071,714 including interest of \$53,961,714. Other agencies of state government will provide principal of \$17,824,869 and interest of \$18,565,663.

Changes in Long Term Debt:

	Outstanding <u>6/30/82</u>	<u>Issue</u>	<u>(Retirement)</u>	Outstanding <u>6/30/83</u>
Series I	\$ 4,435,000.00	\$	\$(290,000.00)	\$ 4,145,000.00
Series II	6,845,000.00		(330,000.00)	6,515,000.00
Series 1980	18,715,000.00		(230,000.00)	18,485,000.00
Series 1981	<u>34,115,000.00</u>	<u> </u>	<u>(2,435,000.00)</u>	<u>31,680,000.00</u>
	<u>\$64,110,000.00</u>	<u>\$</u>	<u>\$(3,285,000.00)</u>	<u>\$60,825,000.00</u>

The annual requirement to amortize all bonded debt at June 30, 1983 is \$109,360,706 including interest of \$48,535,706. Other agencies of state government will provide principal of \$17,097,429 and interest of \$17,002,156.

Summary of Total Debt Service

	<u>Total</u>	<u>Provided by Other Agencies</u>	<u>Net Cost to General Fund</u>
June 30, 1983	\$8,711,008.00	\$2,290,947.00	\$6,420,061.00
June 30, 1984	8,426,687.00	2,211,952.00	6,214,735.00
June 30, 1985	8,134,334.00	2,132,699.00	6,001,635.00
June 30, 1986	7,741,115.00	2,053,327.00	5,687,788.00
June 30, 1987	7,392,782.00	2,008,954.00	5,383,828.00
June 30, 1988-92	33,586,032.00	8,960,619.00	24,625,413.00
June 30, 1993-97	24,238,369.00	6,608,214.00	17,630,155.00
June 30, 1998-2010	<u>19,841,387.00</u>	<u>10,123,820.00</u>	<u>9,717,567.00</u>
	\$118,071,714.00	\$36,390,532.00	\$81,681,182.00
Less June 30, 1983	<u>(8,711,008.00)</u>	<u>(2,290,947.00)</u>	<u>(6,420,061.00)</u>
	<u>\$109,360,706.00</u>	<u>\$34,099,585.00</u>	<u>\$75,261,121.00</u>

Restrictions on Additional Bonds:

Additional bonds may not be issued so long as any such bonds issued prior to January 1, 1973, remain outstanding unless the maximum amount of principal and interest due in any future fiscal year on all such bonds, including the amount proposed to be issued, does not exceed 50% of the average of tax collections pledged to the Sinking Fund Account which have been received in the preceding three fiscal years. As of June 30, 1982, the limitation is calculated using all general obligation debt.

Average tax collections (*adjusted to reflect allocation change on July 1, 1981):

	<u>Fiscal 1982</u>		<u>Fiscal 1983</u>
Fiscal 1982	\$29,046,969	Fiscal 1983	\$28,566,741
Fiscal 1981*	29,992,161	Fiscal 1982	29,046,969
Fiscal 1980*	<u>27,963,786</u>	Fiscal 1981*	<u>29,992,161</u>
Total	<u>\$87,002,916</u>		<u>\$87,605,871</u>
Average	<u>\$29,000,972</u>		<u>\$29,201,957</u>
Limitation on maximum debt by individual issue	<u>\$14,500,486</u>		<u>\$14,600,979</u>

Financing and Reserves:

All money credited to the Sinking Fund Account shall be used first to pay principal and interest when due on the bonds and second to accumulate and thereafter maintain a reserve for the security of the bonds in an amount at least equal, after each payment of principal and interest, to the maximum amount of principal and interest to become due on all bonds then outstanding in any subsequent fiscal year. All moneys credited to the Sinking Fund Account in excess of the principal, interest and reserve requirements will be transferred to the State General Fund. In the event the balance in the Sinking Fund Account is ever less than the principal, interest and reserve requirements therein the State Treasurer is required to restore the balance from the next collection of taxes pledged thereto and from any other collections of taxes appropriated to the General Fund (not to exceed the amount theretofore transferred to the General Fund from the Sinking Fund Account).

Calculation of Reserve Requirements for June 30, 1982:

	<u>Total</u>	<u>Other Agencies</u>	<u>General Fund Reserve</u>
Series I	\$ 467,325	-	\$ 467,325
Series II	663,188	-	663,188
Series 1980	1,580,697	850,685	730,012
Series 1981	<u>6,111,910</u>	<u>1,571,497</u>	<u>4,540,413</u>
Required 06/30/82	<u>\$8,823,120</u>	<u>\$2,422,182</u>	<u>\$6,400,938</u>

As of June 30, 1982, the debt service funds had accumulated an unreserved cash balance available for debt service in the amount \$226,474 of which \$261,920 is excess reserves on deposit by other agencies and \$35,446 deficit reserves on deposit by the general fund.

Calculation of Reserve Requirements for June 30, 1983:

	<u>Total</u>	<u>Other Agencies</u>	<u>General Fund</u>
Series I	\$ 467,325	-	\$ 467,325
Series II	663,188	-	663,188
Series 1980	1,580,697	850,685	730,012
Series 1981	<u>5,819,710</u>	<u>1,496,752</u>	<u>4,322,958</u>
	<u>\$8,530,920</u>	<u>\$2,347,437</u>	<u>\$6,183,483</u>

As of June 30, 1983, the debt service funds had accumulated an unreserved cash balance available for debt service in the amount of \$788,803 of which \$245,486 is excess reserves on deposit by other agencies and \$543,317 is excess reserves on deposit by the general fund.

7. EVENTS SUBSEQUENT TO JUNE 30, 1983 REGARDING GENERAL FUND BONDED
INDEBTEDNESS

During the Forty-Eighth Legislative assembly, bonding laws were amended to remove covenants restricting refunding bond issues and change the cigarette tax apportionment to the debt service fund from 73% to 79.75%. On August 1, 1983, the department, after approval by the Board of Examiners, issued \$58,160,000 of Series 1983 A refunding bonds.

REFUNDING PLAN

The State previously has issued its Long-Range Building Program Bonds, Series 1, 1965; Series 2, 1967; Series 1980 and Series 1981, which presently are outstanding in the aggregate principal amount of \$60,825,000 (the "Bonds To Be Refunded"). Simultaneously with the issuance and delivery of the Bonds, the State will execute an Escrow Deposit Agreement (the "Escrow Deposit Agreement") pursuant to which the State will deposit in the Escrow Account with Norwest Bank Minneapolis, N.A., the Escrow Agent, approximately \$57,974,280 from the proceeds of the sale of the Bonds and other available moneys in an amount equal to approximately \$659,120, approximately \$57,789,420 of which funds are required to be invested by the Escrow Agent, in United States Treasury Obligations. These securities and other available moneys will constitute a trust fund to be held for the benefit of the Bonds To Be Refunded. It is anticipated that such securities, together with interest earnings thereon, and all other available moneys will be sufficient to provide for (i) the payment until maturity of the principal and interest on the State's outstanding Long-Range Building Program Bonds, Series 1, 1965; Series 2, 1967 and Series 1980; (ii) the payment of the principal and interest on the State's outstanding Long-Range Building Program, Series 1981 until May 1, 1986; and, (iii) the payment of the redemption price of such Long-Range Building Program, Series 1981 on May 1, 1986.

The bond coupon rates vary from 8 7/8% to 9% and annual principal payments from \$25,000 to \$10,185,000 with a final maturity of August 1, 2009. Additionally, the issue is subject to the following redemption schedules:

Optional Redemption: The Bonds maturing on or after August 1, 1994 will be subject to redemption, at the option of the State, at any time on or after August 1, 1993, either as a whole or in part, in inverse order of maturity (and by lot if less than all of a maturity is to be redeemed), at the redemption prices, expressed as percentages of the principal amount, set forth below, plus interest accrued to the redemption date:

<u>Redemption Period</u> <u>(Both Dates Inclusive)</u>	<u>Redemption</u> <u>Price</u>
August 1, 1993 to July 31, 1994	102%
August 1, 1994 to July 31, 1995	101½
August 1, 1995 to July 31, 1996	101
August 1, 1996 to July 31, 1997	100½
August 1, 1997 and thereafter	100

Mandatory Redemption: The Bonds maturing on August 1, 1996, August 1, 2003 and on August 1, 2009 (the "Term Bonds") are subject to mandatory redemption at the principal amount thereof to be redeemed on the dates and in the amounts set forth below:

Term Bonds Due 08/01/96		Term Bonds Due 08/01/03		Term Bonds Due 08/01/09	
<u>Redemption</u> <u>Date</u> <u>(Aug. 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Redemption</u> <u>Date</u> <u>(Aug. 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Redemption</u> <u>Date</u> <u>(Aug. 1)</u>	<u>Principal</u> <u>Amount</u>
1993	\$ 1,490,000	1997	\$ 25,000	2004	\$545,000
1994	200,000	1998	305,000	2005	590,000
1995	10,185,000	1999	345,000	2006	500,000
1996	3,125,000	2000	375,000	2007	550,000
		2001	410,000	2008	605,000
		2002	450,000	2009	590,000
		2003	495,000		

The principal amount of Term Bonds to be redeemed on any of the above dates may be reduced by the principal amount of such Term Bonds theretofore purchased by the State or redeemed by the State pursuant to its optional redemption rights.

All previous participant agencies have been included in the Series 1983 A retirement schedules and restrictive additional bond covenants contained in 17-5-403 MCA, were defeased.

Also, during the Forty-Eighth Legislative Assembly, bonding authority of \$39,334,695 was authorized. The Department of Natural Resources exercised \$1,300,000 of its bonding authority approved by the Forty-Seventh Legislative Assembly and Series 1983 B and C were issued by the Department on October 1, 1983 in the amounts of \$39,330,000 and \$1,300,000 respectively. Interest rates vary from 6% to 8.2% and annual principal retirements range from \$150,000 to \$6,670,000 with a final maturity of August 1, 1994. The bonds are not subject to redemption prior to maturity.

Additional participants in Series 1983 B are the Department of Fish, Wildlife and Parks, \$3,075,000, and the Department of Commerce Aeronautics Division, \$1,300,000. Proceeds allocated to the Department of Commerce must be used prior to June 30, 1985 or revert to the Long-Range Building Program for reappropriation by the legislature.

Schedule of Debt by Funding Source
As of October 31, 1983
Principal Only

Series 1983 A	
General Fund	\$ 42,470,000
Employment Security	1,220,000
Capitol Renovation Fund	4,770,000
Workers' Compensation Division	3,170,000
Eastern Montana College	1,330,000
Montana State University	<u>5,200,000</u>
	<u>\$ 58,160,000</u>
Series 1983 B	
General Fund	\$ 34,955,000
Fish, Wildlife and Parks	3,075,000
Department of Commerce	<u>1,300,000</u>
	<u>\$ 39,330,000</u>
Series 1983 C	
Department of Natural Resources and Conservation	<u>\$ 1,300,000</u>
SRS 1976 Mortgage at September 30, 1983	<u>\$ 1,358,622</u>
Total Department of Administration Portion of Long Term Debt	<u>\$100,148,622</u>
Debt Secured by the General Fund but Payable by Other Agencies	
Series 6 Long-Range	
Building Bonds	\$ 2,100,000
Highway Complex Bonds	<u>5,675,000</u>
Total Recorded by Other Agencies	<u>\$ 7,775,000</u>

8. PURCHASE CONTRACTS PAYABLE

Four divisions of the department have purchased equipment on installment loan. As of June 30, 1983, monthly principal and interest payment liabilities were payable as follows:

	<u>Publications & Graphics</u>	<u>Computer Services Div.</u>	<u>Mail & Messenger</u>	<u>Central Stores</u>
June 30, 1984	\$146,512	\$ 674,028	\$1,248	\$4,593
June 30, 1985	125,863	657,728	728	-
June 30, 1986	97,562	608,827	-	-
June 30, 1987	-	152,207	-	-
	<u>\$369,937</u>	<u>\$2,092,790</u>	<u>\$1,976</u>	<u>\$4,593</u>
Total Principal Payments	\$318,913	\$1,755,401	\$1,349	\$4,173
Total Interest Payments	<u>51,024</u>	<u>337,389</u>	<u>627</u>	<u>420</u>
	<u>\$369,937</u>	<u>\$2,092,790</u>	<u>\$1,976</u>	<u>\$4,593</u>

9. LEASES

Operating units of the department are involved in several lease agreements for equipment. Lease payments are expensed against current operations and considered operating leases.

10. LITIGATION

As of June 30, 1983, six hundred thirty-seven claims had been filed within the scope of the state's self-insurance program and one hundred and eight of these claims are currently in litigation. No estimate of substantial financial liability, if any, can be made as of that date.

11. CAPITAL PROJECTS FUNDS

The department administers construction projects by direct appropriation to the long range building program or utilization of a construction appropriation given to another agency. For purposes of the combined balance sheet and statement of revenues, expenditures and changes in fund balance, construction activity associated with other agencies has been omitted but included in the combined statement of budget and actual (budget basis). Schedule I delineates other agency construction activity.

State accounting policy dictates that construction work in progress be assigned to an agency which will ultimately reflect the completed project on its property records. Schedule I also includes each agency's construction projects for fiscal 1982 and fiscal 1983.

For fiscal 1982 and fiscal 1983, the department has included \$10,273,258 and \$13,016,014 respectively in its property records for construction work in progress. Additionally, completed projects are

recorded at the time all appropriated funds have been expended or reverted.

In previous fiscal years, no construction work in process has been reflected in the department's property records.

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DEPARTMENT OF ADMINISTRATION
CAPITAL PROJECTS FUNDS
SCHEDULE OF CONSTRUCTION WORK IN PROCESS AND
COMPLETED PROJECTS BY AGENCY

<u>Agency</u>	<u>Fiscal Year 1982</u>			<u>Fiscal Year 1983</u>		
	<u>Work In Process</u>	<u>Completed Projects</u>	<u>Total Cost</u>	<u>Work In Process</u>	<u>Completed Projects</u>	<u>Total Cost</u>
Fish, Wildlife and Parks	\$ 1,767,571	\$ 636,595	\$ 2,404,166	\$ 2,475,957	\$ 525,384	\$ 3,001,341
Highways	2,673,036	435,461	3,108,497	1,113,623	289,074	1,402,697
Natural Resources	162,016		162,016	493,488	93,282	586,770
Administration	10,273,258	4,759,529	15,032,787	13,016,104	3,412,918	16,429,022
Montana State University	8,833,014	1,073,470	9,906,484	13,245,836	92,176	13,338,012
Eastern Montana College	222,145	1,869,923	2,092,068	229,671	22,808	252,479
Employment Security Division	484,032		484,032	396,209	88,815	485,024
Institutions	2,435,301	1,425,501	3,860,802	5,221,343	429,780	5,651,123
Military Affairs	1,908,115	4,000	1,912,115	971,294	1,055,788	2,027,082
Montana Tech	588,561		588,561	893,284	288,329	1,181,613
University of Montana	7,475,057	963,937	8,438,994	11,189,489	575,808	11,765,297
Northern Montana College	2,326,040	1,563,222	3,889,262	2,546,778		2,546,778
Commerce	116,828	717,610	834,438	179,962		179,962
Deaf and Blind School	2,188,993		2,188,993	5,335,546		5,335,546
Vo-Tech		1,062,500	1,062,500	952,892		952,892
Western Montana College	20,167		20,167	210,067	27,000	237,067
Revenue		5,117	5,117			
State Lands					20,090	20,090
Total by Fiscal Year	<u>\$41,474,134</u>	<u>\$14,516,865</u>	<u>\$55,990,999</u>	<u>\$58,471,543</u>	<u>\$6,921,252</u>	<u>\$65,392,795</u>

SCHEDULE OF CONSTRUCTION PROJECT EXPENDITURES
INCLUDED IN OTHER FUND GROUPS IN OTHER AGENCIES

	<u>Fiscal Year 1982</u>	<u>Fiscal Year 1983</u>
Coal Tax Earnings	\$ 21,851	\$ 118,004
Fish Wildlife and Parks Licenses	91,900	659,052
Highways	225,344	224,862
State Parks	5,074	75,697
Federal Private Revenue Accounts	695,809	835,153
Renewable Resources	25,928	200,747
Construction Advance	2,553,359	2,589,256
Total	<u>\$3,619,265</u>	<u>\$4,702,771</u>

12. SUBSEQUENT EVENTS FOR LEASE COMMITMENTS FOR PROPRIETARY FUNDS

As authorized by the Forty-Eighth Legislative Assembly, the Communications Division of the Department of Administration issued lease participation certificates for the communication system. The certificates do not constitute a general obligation debt of the State and are subject to biennial appropriation.

The certificates are dated August 15, 1983 and are secured by lease payments for communications equipment by state agencies. The Department of Administration has agreed to use its best efforts to insure that the legislature is requested to appropriate sufficient funds and that sufficient funds are biennially appropriated by the legislature to make such lease payments. The Lease Purchase Agreement expires on July 1, 1993, but will be terminated in the event that sufficient funds are not biennially appropriated by the legislature or are not otherwise legally available to enable the State to pay lease payments. A reserve account was established for the benefit of the certificate owners from the proceeds in the amount \$1,590,000.

Obligations under the lease arrangement are as follows:

Fiscal 1984	\$ 1,226,898
Fiscal 1985	1,756,036
Fiscal 1986	1,757,236
Fiscal 1987	1,764,736
Fiscal 1988	1,766,736
Fiscal 1989	1,767,060
Fiscal 1990	1,766,872
Fiscal 1991	1,766,068
Fiscal 1992	1,772,762
Fiscal 1993	<u>1,750,400</u>
	<u>\$17,094,804</u>

13. CONTINGENT LIABILITIES

As of June 30, 1983, a contingent liability of approximately 2.5 million dollars existed for run out claims (expenses incurred but not paid) in the group benefits program. This program is responsible for the administration of the state's health, dental, and life insurance.

AGENCY RESPONSES

DEPARTMENT OF ADMINISTRATION

DIRECTOR'S OFFICE



TED SCHWINDEN, GOVERNOR

MITCHELL BUILDING

STATE OF MONTANA

(406) 444-2032

HELENA, MONTANA 59620

April 20, 1984

RECEIVED

APR 20 1984

MONTANA LEGISLATIVE AUDITOR

Robert R. Ringwood
Legislative Auditor
State Capitol
Helena, MT 59620

Dear Mr. Ringwood:

In accordance with your request, we submit the following response to recommendations included in the recently completed audit for the Department of Administration:

Recommendation #1

- A. Concur. The department has adopted new rules, effective January 1984, which establish less time-consuming procedures for small purchases and allow for delegation of some purchasing to agencies. Purchasing Division routine workload has been staggered to avoid the fiscal year-end surge in purchasing. Internal workload timelines have been established for purchasing agents. Requisition Time Schedule deadlines for agencies are being enforced. Procedures will be implemented to require agencies to obtain required equipment approval prior to submitting requisitions to purchasing and to limit the length of time the Purchasing Division will hold requisitions on behalf of agencies. These procedures should reduce the requisition processing time for department purchases.
- B. Concur. The department moved the year-end deadline for receiving requisitions to May 1 from May 16. We will revise our present standards regarding vendor bid preparation time to reflect this and recent E.D.P. audit findings. We will continue to seek solutions and suggestions for accommodating the conflicting demands of agencies' needs, vendors' needs and state fiscal encumbrance requirements which converge at fiscal year end in the Purchasing Division.
- C. Concur. The department adopted rules regarding small purchase procedures (2.4.603) and sole source procedures (2.5.604). These rules and Purchasing Division procedures replace Please Writes with an informal request for quotation procedure and address telephone quotes for certain small purchases.

Recommendation #2

- A. Concur. A computerized central vendors list has been established by the Purchasing Division, which includes an automated vendor selection function.
- B. Concur. Each addition, deletion or change to the central vendors list in the Purchasing Division will require a source document. We intend to request resources in our 86/87 biennium budget to track vendor performance and responsiveness.
- C. Concur. The Purchasing Division sent four direct mailings to over 10,000 vendors to build a central vendors list. We will continue to use media resources and other resources such as the Department of Commerce to solicit vendors.

Recommendation #3

Concur. The department will explore procedures to accommodate those few special year-end circumstances, created by present encumbrance policies, when agencies have complied with all requirements but bid awards are delayed beyond June 30 (such as when no bids are received, an unsuccessful vendor protests, etc.).

Recommendation #7

- A. Concur. The SBAS "control" that the audit report is referring to ensures that, where appropriation authority (e.g. spending) is limited, the agency does not exceed those limits. It was the Accounting Division's understanding that neither the legislative subcommittee, nor OBPP, wanted to establish limits on DOA's expenditures for payment of claims and benefits from the State's self-insurance funds.

It should be noted that the only SBAS control removed was the one that ensures expenditures do not exceed established spending limits. SBAS controls to ensure that each transaction was properly approved, recorded, documented, etc. remained intact.

Authorization for statutory appropriations will be obtained in the future. We have contacted OBPP and informed them that in the future we will require spending limits to be established on SBAS for all statutory appropriations.

- B. Concur. The department will follow established procedures.

Recommendation #8

- A. Concur.
- B. Concur. The department has an established procedure to review year end accruals and transactions to ensure fiscal year end appropriation integrity. In this proprietary fund, appropriation spending authority had been exhausted by current expenditures, but sufficient financial resources

were available to pay the cost. In the future, the department will file the necessary budget documents to properly reflect the expenditures in the proper year.

Recommendation #9

Concur. The department has developed the necessary steps to ensure that assets are properly recorded.

Recommendation #10

A. Concur. The transactions have been corrected and procedures are in place to ensure that assets are properly recorded in the department's financial records.

B. Concur.

Recommendation #11

Concur. The department monitors this reserve closely to ensure that program funds in excess of the required reserve are transferred at year end. However, during fiscal year end 1983, the Board of Examiners was contemplating a refunding issue wherein the debt service payment date and amounts, and reserves were to be changed. Therefore, the reserves were invested and the excess was transferred to the General Fund in October 1983.

Recommendation #12

Concur. The department will adjust its records quarterly.

Recommendation #13

Concur. The department will establish written internal procedures for handling claims.

Recommendation #14

Concur. The department has drafted a policy revision regarding these accounts.

Recommendation #15

Concur. Management memorandum, 2-84-1, sets forth state accounting policy for bond issuance costs.

Recommendation #16

A. Concur. The department has procured written lease agreements from all non-state firms.

B. Concur. The department is revising its billing procedures for inter-office mail.

Recommendation #17

Concur. The department will prepare annual revenue estimates for service fees and investment earnings.

Recommendation #18

Concur. The department will seek legislation to reference the correct building code standards.

Recommendation #19

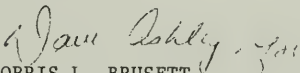
A. and B. Concur. The department has established inventory procedures to correct the inventory of raw materials and record these items in a timely manner.

Recommendation #20

Concur. The department will establish procedures to ensure that checks are properly logged in and restrictively endorsed.

Thank you for allowing us to respond to this report. We will be glad to meet with you when the report is reviewed by the Audit Committee.

Sincerely,


MORRIS L. BRUSETT
Director



TED SCHWINDEN GOVERNOR

1424 9TH AVENUE

STATE OF MONTANA

(406) 444 3494

April 19, 1984

HELENA, MONTANA 59620-0401

RECEIVED

APR 19 1984

MONTANA LEGISLATIVE AUDITOR

Mr. Robert R. Ringwood
Legislative Auditor
State Capital
Helena, MT 59620

Dear Mr. Ringwood:

The following is my response to the recommendations contained in your 1983 biennial audit report on the Department of Administration, Local Government Services Division. This Division was a part of the Department of Administration during the audit period, however, it is now a part of the Department of Commerce.

AUDIT STANDARDSRecommendation

We recommend the Department of Commerce, Local Government Services Division, continue implementation of the work plan and conduct audits in conformity with generally accepted governmental auditing standards.

Response

We concur with the recommendation. The Division continues to implement the work plan, particularly in the areas of training and supervision. The accomplishment of the tasks contained in the work plan remains the Division's highest priority. The Division is committed to conducting all audits substantially in conformity with generally accepted governmental auditing standards.

COMPLIANCERecommendation

We recommend the Department of Commerce, Local Government Services Division:

- A. Establish strict deadlines for units' audit decisions.
- B. Comply with State law by ensuring biennial audits are performed on all local governmental units.
- C. Seek legislation to increase the 60 day report issuance requirement.

Response

- A. We will examine means by which strict deadlines for units' audit decisions can be implemented.
- B. We will attempt to insure that biennial audits are performed on all governmental units.
- C. We concur and will seek legislation to increase the 60 day report issuance requirement.

OTHER ISSUES

Recommendation

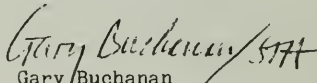
We recommend the Department of Commerce, Local Government Services Division:

- A. Continue assisting cities and counties in implementing the Budgetary, Accounting and Reporting System.
- B. Periodically review contract audits to ensure compliance with the contract provisions.

Response

- A. We concur
- B. The Department's legal counsel has issued an opinion in which he concludes that the Division does not have the responsibility nor the authority to establish a quality control mechanism for contract audits.

Sincerely,


Gary Buchanan
DIRECTOR

TREASURER'S CASH ACCOUNTABILITY

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122



ROBERT R. RINGWOOD
LEGISLATIVE AUDITOR

DEPUTY LEGISLATIVE AUDITORS:

JAMES H. GILLETT
FINANCIAL/COMPLIANCE AUDITS

SCOTT A. SEACAT
PERFORMANCE AUDITS

STAFF LEGAL COUNSEL

JOHN W. NORTHEY

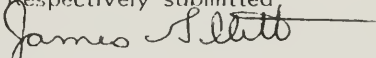
The Legislative Audit Committee
of the Montana State Legislature:

We have examined the Schedule of Cash Accountability for the Department of Administration, Treasury Bureau, as of June 30, 1983. Our examination was made in accordance with generally accepted governmental auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except as indicated in the following paragraph.

We did not test the balances presented for investments. These investments were examined by other auditors whose report has been furnished to us. Our opinion, as it relates to investments, is based solely on the report of the other auditors.

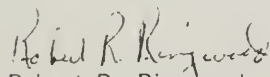
In our opinion, the Schedule of Cash Accountability presents fairly the resources and accountability of the Treasury Bureau at June 30, 1983 in a manner consistent with that of the preceding year.

Respectively submitted,


James H. Gillett, CPA
Deputy Legislative Auditor

September 26, 1983

Approved:


Robert R. Ringwood
Legislative Auditor

STATE OF MONTANA
DEPARTMENT OF ADMINISTRATION
TREASURY BUREAU
SCHEDULE OF CASH ACCOUNTABILITY

	<u>June 30, 1983</u>
<u>RESOURCES</u>	
Cash	
Cash on Hand	\$ 7,000
Cash in Demand Accounts	<u>13,448,665</u>
	<u>13,455,665</u>
Investments	
Short Term Investment Pool (at cost)	133,423,925
Other Investments (at cost)	<u>95,782,388</u>
	<u>229,206,313</u>
Other Resources	
Cash with Fiscal Agents	<u>917,796</u>
Total Resources	<u><u>\$243,579,774</u></u>
 <u>ACCOUNTABILITY</u>	
Accountability for	
Cash in Treasury	\$221,653,260
Accountability for	
Outstanding Warrants	<u>21,926,514</u>
Total Accountability	<u><u>\$243,579,774</u></u>

STATE OF MONTANA
DEPARTMENT OF ADMINISTRATION
TREASURY
NOTES TO FINANCIAL SCHEDULE
JUNE 30, 1983

1. GENERAL

Article VIII, Section 1, Constitution of the State of Montana, 1889, created the Office of the State Treasurer as a constitutional office under the executive branch of government of the state of Montana. The 1972 Montana Constitution deleted the Office of the State Treasurer as a constitutionally created office.

Effective July 1, 1977, the Office of the State Treasurer was abolished and all functions and duties of the State Treasurer as prescribed by law were transferred to the director of the Department of Administration who serves as "ex officio" State Treasurer. The State Treasurer's Office became the Treasury function of the Department of Administration on July 1, 1977.

In accordance with MCA, 17-1-111, the duties of the Treasury shall be to:

- (a) receive and account for all moneys belonging to the state not expressly required by law to be received and kept by some other person;
- (b) pay warrants out of the funds upon which they are drawn;
- (c) upon payment of any warrant, taken upon the back thereof the receipt of the person to whom it is paid;
- (d) keep an account of all moneys received and disbursed;
- (e) at the request of either house of the legislature or of any committee thereof, give information in writing as to the condition of the treasury or upon any subject relating to the duties of his office;
- (f) discharge such other duties as may be imposed upon him by law.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Schedules Presented - The Treasury's only financial schedule is the Schedule of Cash Accountability as the Treasury reports on specific resources and the accountability for those resources. Revenue, expense and changes in fund balance are reported in the statements of the state agencies which collect the revenue or authorize the expenditure.

3. CASH WITH FISCAL AGENTS

This account represents cash advanced to fiscal agents for retirement of the state of Montana's bonded debt. The money required at each redemption date is transferred to the fiscal agent just prior to such date. The fiscal agent pays interest and principal and returns payment advise to the Treasury.

4. ACCOUNTABILITY FOR OUTSTANDING WARRANTS

This account represents outstanding warrants issued by the State Auditor but not presented for redemption to the Treasury as of June 30, 1983.

5. INVESTMENTS

Investments are stated at cost at June 30, 1983. As of that date, market value approximated \$127,609,998 for the short term investment pool units. Market value of other investments was \$97,658,000.

